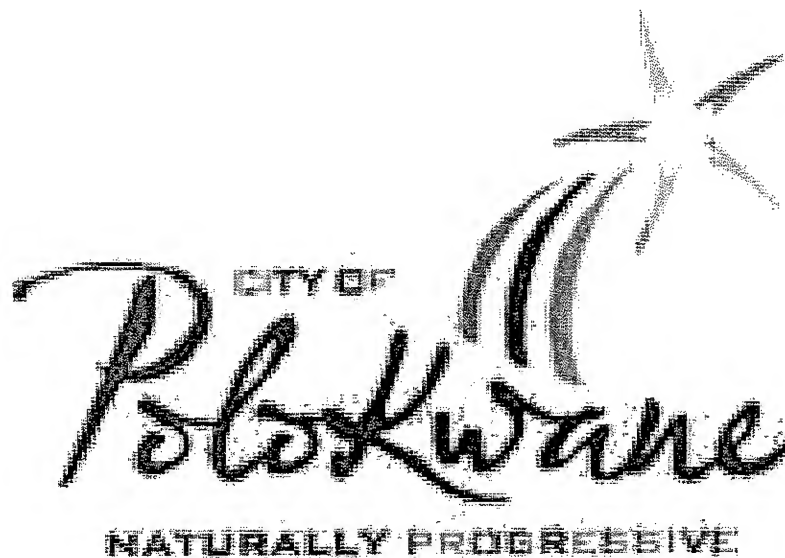


POLOKWANE LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2012
PRE- AUDITED**

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POLOKWANE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS ENDED 30 JUNE 2012

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 42, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Ms TG Mametja
MUNICIPAL MANAGER

31/08/2012

DATE

**POLOKWANE MUNICIPALITY
FINANCIAL STATEMENTS 30 JUNE 2012**

General information

Members of the Council

FP Greaver	Executive Mayor
MC Mathiba	Speaker
MM Peta	Member of the Executive Committee
MJ Kaka	Member of the Executive Committee
MD Madikoto	Member of the Executive Committee
ME Maleka	Member of the Executive Committee
PJ Modikoa	Member of the Executive Committee
TJ Mogale	Member of the Executive Committee
RC Molepo	Member of the Executive Committee
LE Hardy	Member of the Executive Committee
MJ Ralefatane	Member of the Executive Committee
MK Teffo	Member of the Executive Committee
AH Botha	Member of Council
HE Chauke	Member of Council
FA Haas	Member of Council
ME Khalo	Member of Council
A Kirkpatrick	Member of Council
MF Kubjane	Member of Council
LM Legodi	Member of Council
MJ Lekota	Member of Council
MM Lemekoana	Member of Council
MW Letsoalo	Member of Council
M Maake	Member of Council
MG Mabelebele	Member of Council
MM Mabitsela	Member of Council
MT Mabutla	Member of Council
NE Machaba	Member of Council
TJ Magoro	Member of Council
RT Makgabo	Member of Council
KP Makgoba	Member of Council
MP Maifala	Member of Council
MM Mailula	Member of Council
MM Maja	Member of Council
MA Malemati	Member of Council
SJ Malope	Member of Council
CM Mamabolo	Member of Council
ML Mamabolo	Member of Council
SN Mamabolo	Member of Council
MA Manong	Member of Council
SM Mashabela	Member of Council
MC Mashiane	Member of Council
A Mashie	Member of Council
MR Mashitisho	Member of Council
MA Mathabatha	Member of Council
JM Matlou	Member of Council
MJ Manamela	Member of Council
QN Mehlape	Member of Council
ST Mehlape	Member of Council
JA Moabelo	Member of Council
MA Moakamedi	Member of Council
RK Mogashoa	Member of Council
TSP Mojapelo	Member of Council
NJ Mokgokong	Member of Council

**POLOKWANE MUNICIPALITY
FINANCIAL STATEMENTS 30 JUNE 2012**

JS Mokonyama	Member of Council
MH Morwana	Member of Council
M Mothiba	Member of Council
ML Motshekga	Member of Council
W Naumann	Member of Council
SE Nkadineng	Member of Council
MP Phadu	Member of Council
RH Phoshoko	Member of Council
MJ Raletjena	Member of Council
CS Ramabu	Member of Council
DM Ramakgwakgwa	Member of Council
MS Rammala	Member of Council
MJ Sedibane	Member of Council
MR Sekgobela	Member of Council
MJ Sello	Member of Council
ND Setjje	Member of Council
TC Shilajoe	Member of Council
MMP Sono	Member of Council
MS Tjale	Member of Council
KG Tsheola	Member of Council
MA Thobejane	Member of Council
MJ Willemse	Member of Council
ER Wilson	Member of Council

Municipal Manager	Acting Chief Financial Officer
T C Mametja	T G Maponya

Auditors
Auditor-General

Grading of Local Authority
Grade 10

Bankers
Standard Bank

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	15	11,273,530	5,241,310
Trade and other receivables from exchange transactions	12	256,461,958	193,502,139
Other receivables from non-exchange transactions	13	3,870,093	3,616,710
Inventories	11	60,155,470	53,879,838
Investments	9	223,808,054	219,993,222
Current portion of receivables	10	7,502,238	21,371,735
VAT receivable	14	65,878,887	11,599,731
Total Current Assets		628,950,228	509,204,685
Non-current assets			
Non-current receivables	10	8,667,466	8,396,949
Investments	9	67,217,189	8,217,389
Property, plant and equipment	8	5,573,512,985	5,004,053,190
Intangible assets	8.1	34,427,631	41,185,281
Investment property carried at fair value	8.2	138,359,667	125,510,500
Biological assets	8.3	7,304,647	10,353,325
Total Non-current assets		5,829,489,586	5,197,716,633
Total Assets		6,458,439,814	5,706,921,318
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	6	200,999,279	180,308,585
Consumer deposits	5	62,072,194	57,596,427
Current portion of unspent conditional grants and receipts	7	174,566,948	166,832,457
Current portion of borrowings	4	35,807,907	26,578,289
Current portion of finance lease liability	37	2,597,004	3,969,296
Total Current Liabilities		476,043,332	435,285,053
Non-current liabilities			
Non-current borrowings	4	298,587,916	254,480,801
Non-current finance lease liability	37	-	2,597,004
Non-current Provisions	35	177,751,749	158,810,424
Total Non-current Liabilities		476,339,665	415,888,228
Total liabilities		952,382,997	851,173,282
Net assets		5,506,056,817	4,855,748,037
NET ASSETS			
Housing Development	2	11,247,728	11,155,453
Revaluation Reserves	3	770,838,771	347,827,216
Accumulated surplus		4,723,970,318	4,496,765,368
Total net assets		5,506,056,817	4,855,748,037

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Property rates	17	229 422 699	211 929 612
Service charges	18	781 281 433	620 813 560
Rental of facilities	19	5 509 961	4 336 869
Investment Revenue – external investments	22	24 554 093	8 732 113
Interest earned – outstanding debtors		17 678 491	20 190 077
Fines		4 496 562	4 796 811
Licenses and permits		8 234 418	8 065 163
Income for agency services		13 827 380	13 460 412
Government grants recognised - operating	20	367 484 803	358 908 609
Government grants recognised - capital	20	213 510 998	127 554 532
Public contributions, donated and contributed property, plant and equipment	21	36 649 036	3 528 444
Other revenue	23	51 895 658	72 569 750
Total Revenue		<u>1 754 545 532</u>	<u>1 454 885 953</u>
EXPENDITURE			
Employee related costs	24	382 002 524	362 171 819
Remuneration of councillors	25	20 614 731	19 778 889
Bad debts		35 511 426	47 599 029
Collection costs		817 561	1 463 112
Depreciation		231 254 348	176 460 819
Repairs and maintenance		96 881 394	95 300 758
Finance cost	26	29 426 803	13 072 740
Bulk purchases	27	518 796 538	418 402 194
Grants and subsidies paid	28	6 121 695	240 000
General expenses	29	297 941 368	239 712 809
Total Expenditure		<u>1 619 368 390</u>	<u>1 374 202 171</u>
Less: Impairment loss	44	<u>1,202,194</u>	
NET SURPLUS FOR THE YEAR		<u>133 974 948</u>	<u>80 683 782</u>

POLOKWANE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Housing Fund	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total
			R		R	R
Balance at 30 June 2010		10 968 651	359 565 517	370 534 168	4 392 947 182	4 763 481 350
Surplus on revaluation of property, plant and equipment			1 578 940	1,578,940		1,578,940
Net gains and losses not recognised in the statement of financial performance						
Transfers to/ from accumulated surplus		186 802	(13 317 241)	(13,130,439)	23 134 404	10,003,965
Surplus for the period				-	80 683 782	80,683,782
Balance at 30 June 2011		11 155 453	347 827 216	358 982 669	4 496 765 368	4 855 748 037
Surplus on revaluation of property, plant and equipment				-		-
Net gains and losses not recognised in the statement of financial performance						
Transfers to/ from accumulated surplus		92 275	423 011 555	423,103,830	93 230 002	516,333,832
Surplus for the period				-	133 974 948	133,974,948
Balance at 30 June 2012		11 247 728	770 838 771	782 086 499	4 723 970 318	5 506 056 817

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POLOKWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipted from ratepayers, government and others		1 567 135 930	1 460 078 412
Cash paid to suppliers and employees		1 224 033 639	(1163 088 200)
Cash generated from operations	31	343 102 291	296 990 212
Interest received		42 232 584	28 922 190
Finance cost		(29 426 803)	(13 072 740)
Net cash from operating activities		355 908 072	312 839 662
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(354 503 404)	(276 861 457)
Purchase of intangible assets			(11 024 640)
Proceeds on disposal of property, plant and equipment			1 847 330
(Increase)/decrease in non-current receivables		13 598 980	2 690 273
(Increase)/decrease in non-current investments		(58 999 800)	0
(Increase)/decrease in current investments		(3 814 832)	(160 993 422)
Net cash from investment activities		(403 719 056)	(444 341 916)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		50 739 730	230 277 095
Increase/(decrease) in deposits		4 475 768	5 759 569
Decrease in finance lease liability		(1 372 292)	(3 642 856)
Net cash from financing activities		53 843 206	232 393 808
Increase/(decrease) in cash and cash equivalents		6 032 220	100 891 555
Cash and cash equivalents at beginning of the year	15	5 241 310	(95 650 243)
Cash and cash equivalents at end of the year	15	11 273 530	5 241 310

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial performance, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the

assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 36 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality

corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under threat.

1.4.1 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were terminated on 1 April 1998 and transferred to a Housing Development Fund. Housing selling scheme, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.4.2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

1.5 Investment property

Initial Recognition:

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item Useful life

Property - land indefinite

Property - buildings 5 - 50 years

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at re-valued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is re-valued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after re-valuation equals its re-valued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a re-valuation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the re-valued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impaired costs.

The useful lives of items of property, plant and equipment have been assessed as follows:-

Item Average useful life

Infrastructure

→ Roads and paving	30 years
→ Pedestrian malls	5 years
→ Electricity	20-30 years
→ Sewerage	15-20 years
→ Water	15-20 years
→ Housing	30 years
→ Refuse sites	15 years

Community

→ Recreational facilities	20 - 30 years
→ Cemeteries	30 years
→ Halls	30 years
→ Libraries	30 years
→ Parks and gardens	10 - 30 years
→ Fire services	30 years
→ Clinics	20 - 30 years
→ Sport fields	20 - 30 years

Other

→ Motor vehicles	5 years
→ Plant and equipment	2-15 years
→ Security measures	3-10 years

→ Buildings	30 years
→ Specialised vehicles	10 years
→ IT equipment	3-5 years
→ Office equipment	3-7 years

Land is not depreciated as it is regarded as having an infinite useful life.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Biological Assets

Initial Recognition

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality
- and the fair value or cost of the asset can be measured reliably.

Subsequent Measurement:

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. The fair value of milk is determined based on market prices in the local area. The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment,

call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of GRAP on Revenue from Exchange Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in

market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Cash and cash equivalents Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions Financial asset measured at amortised cost
Trade and other receivables from exchange transactions Financial asset measured at amortised cost

Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Long term liabilities Financial liability measured at amortised cost

Trade and other payables Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation

technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value. If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity derecognise the asset and recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit. If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method. Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service

potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government.

Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset

and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.12 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow

1.18 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.20 Intangible assets

An asset is identified as an intangible asset when it:

- . is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- . arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated 3 - 5 years
Computer software, other 3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.21 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.22 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external

- evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
 - estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on

individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.23 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself. The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
 - interest cost;
 - the expected return on any plan assets and on any reimbursement rights;
 - actuarial gains and losses;
 - past service cost;
 - the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Pension Obligations: The municipality and its employees contribute to 5 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund, Samwu National Provident Fund, and National Fund for Municipal Workers are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in

the future payments is available.

1.24 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.25 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these

estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.29 Grants in aid

The Polokwane Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid

in future; or Expect a financial return, as would be expected from an investment
These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.30 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity

asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.31 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

1.32 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is further recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent

that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Although a heritage asset is not depreciated is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Item use Fill Live

Property and building – Indefinite
Other Assets - 5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

→ on disposal, or

→ when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting - Issued March 2005

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific

outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Party – Issued June 2011

Related party relationships exist throughout the public sector, because:

- (a) The Municipalities is subject to the overall direction of an executive government or Council and ultimately, parliament, and operate together to achieve the policies of the government
- (b) The Municipality conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence
- (c) Public entities enter into transactions with other government entities on a regular Basis, and
- (d) Ministers, councillors or other elected or appointed members of the government and other members of management can exert significant influence over the operations of an entity.

The mere existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Therefore the disclosure of related party transactions, outstanding balances, and the relationship underlying those transactions is necessary for accountability purposes.

Management could hold positions of responsibility within an entity and therefore members of management will be responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

At present the impact of the standard is not material.

GRAP 25: Employee benefits - Issued November 2009

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits.

The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service

potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides postemployment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
- All short-term employee benefits;
- Short-term compensated absences;

- Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost;
- Actuarial valuation method;
- Attributing benefits to periods of service;
- Actuarial assumptions;
- Actuarial assumptions: Discount rate;
- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost.
- Plan assets:
- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements. This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011. The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**"GRAP 105: Transfer of Functions between Entities under Common Control –
Issued November 2010"**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer."

**"GRAP 106: Transfer of Function between Entities Not Under Common Control –
Issued November 2010"**

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer."

GRAP 107: Mergers – Issued November 2010

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be amended to cater for such merger transactions and disclosure."

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
2. HOUSING DEVELOPMENT FUND	11 247 728	11 155 453
Unappropriated Surplus	8 267 757	8 175 482
Loans extinguished by Government in April 1998	2 979 971	2 979 971
The Housing Fund is represented by the following assets and liabilities:		
Property, plant and equipment	507 721	507 721
Housing selling scheme loans	2 243 264	2 397 719
Bank and cash	8 496 743	8 250 013
	11 247 728	11 155 453
3. RESERVES		
Revaluation Reserve	770 838 771	347 827 216
4. BORROWINGS		
Non-Current Borrowings		
Local Registered Stock loans	516 595	781 995
Annuity loans	333 879 229	280 277 095
	334 395 823	281 059 090
Current Portion of Borrowings	35 807 907	26 578 289
Local Registered Stock loans	0	65 400
Annuity loans	35 807 907	26 512 889
	298 587 916	254 480 801
Refer to Appendix A for more detail on long term liabilities.		
The Fair value of all long term loans approximates their book value		
Long term loan commitments: The Municipality had entered into a loan agreement with the Development Bank of Southern Africa on 18 February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years.		
The Municipality has made a drawdown of R86.9 million (2011:R233.1 million) from this facility in the financial year ending 30 June 2012		
5. CONSUMER DEPOSITS		
Water and electricity	62 072 194	57 596 427
No interest is paid on consumer deposits.		
Guarantees held in lieu of electricity and water deposits	8 888 046	9 170 371

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	81 118 003	70 842 072
Amounts received in advance	21 564 913	15 568 871
Other	11 318 257	9 694 984
Guarantees	261 795	261 795
Leave bonus (13th cheque)	7 701 607	7 384 390
Staff leave	43 831 646	40 099 206
Retention withheld on projects	35 203 058	36 457 268
	<u>200 999 277</u>	<u>180 308 585</u>
7. CURRENT UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS		
Local Government Restructuring Grant	953 927	953 927
Public Transport Infrastructure and Systems Grant	34 276 855	5 250 000
Municipal Infrastructure Grant	111 398 780	118 520 006
Limpopo Provincial Government	2 949 710	2 949 710
Water Services Refurbishment Grant	6 407 000	0
Integrated National Electrification Programme Grant	0	7 992 204
Electricity Demand Side Management Grant	8 537 558	257 208
Housing Accreditation Grant	349 572	333 424
Local Government Transition Grant	649 874	649 874
Local Economic Development Grant	54 714	54 714
Neighbourhood Development Partnership Grant	0	2 605 292
Expanded Public Works Programme Incentive Grant	2 464 617	970 098
Sport & Recreation	371 197	0
Local Organising Committee	0	25 000 000
National Lottery	6 153 144	0
Anglo Platinum	0	1 296 000
	<u>174 566 948</u>	<u>166 832 457</u>

See note 18 and 19 for reconciliation of unspent grants. These amounts are invested until utilised.

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 PROPERTY, PLANT & EQUIPMENT

	Land and Buildings	Infrastructure	Other and Movable	Heritage	Finance lease	Total
	R	R	R	R	R	R
Carrying values at 30 June 2011	1,896,199,108	2,945,674,940	149,332,703	6,679,103	6,167,336	5,004,053,190
Cost	2,058,407,189	3,197,528,510	205,068,929	8,388,577	11,594,362	5,480,987,567
Accumulated depreciation – cost	-162,208,080	-251,853,570	-55,736,226	-1,709,475	-5,427,025	-476,934,377
Acquisitions	15,088,087	106,144,643	15,097,927			136,330,656
Capital under construction	37,736,300	172,037,109				209,773,409
Depreciation – based on cost	-62,046,163	-109,712,325	-26,025,092	-3,340,402	-3,834,346	-204,958,328
Revaluation/ Impairment	423,011,555		-1,202,194			421,809,361
Other movements/transfers		-1,081,533	22,945,269			21,863,736
Carrying value of disposals		-17,298,803				-17,298,803
Depreciation- movements/transfers	1,457,539	4,316,570	-3,834,346			1,939,764
Carrying values at 30 June 2012	2,311,446,427	3,100,080,600	156,314,267	3,338,701	2,332,991	5,573,512,985
Cost	2,534,243,131	3,457,329,926	241,909,931	8,388,577	11,594,362	6,253,465,927
Accumulated depreciation – cost	-222,796,704	-357,249,325	-85,595,664	-5,049,877	-9,261,371	-679,952,941

All assets were revalued by using depreciated replacement values. The effective date of the revaluation was 1 July 2008.

Refer to Appendix B for more detail on property, plant & equipment, including those in the course of construction.

The municipality did engaged into projects where certain roads where resurfaced during the 2011-12 financial year. The new surfaces layers was added to the register and the old surface layer was decomitioned.

During the Physical verification it was found that movable assets that relates to Machineray and equipment, Furniture and fittings and computer equipment was not on the asset register. These assets was fairvalued by using the DRC (Depreciated replacement cost) method. A reconciliation off vehicles between the asset register and eNatus was done and it was found that some vehicles was not on the asset register. These vehicles was valued using the Trans Union auto dealers guides.

During the physical verification of all movable assets a condition assetment of each asset was done. This formed the basis of the impairment test. It was found that a number of assets condition was either poor or very poor. The recoverable service amount was determined by estimating what the entity could sell the asset for to another party in an arm's length transaction.

It was found that Land assets depreciated incorrectly in the previous financial year. The depreciation was corrected.

Infrastructure Assets: All the infrastructure assets was reviewed for impairment. There was a process in place where Impairment meetings was held with the applicable technical managers. After consideration and review it was decided not to impair the infrastructure assets value. The useful life of the Infrastructures where reviewed and where an assets condition was poor or very poor the remaining useful life was adjusted according to the condition factor. This inflated the depreciation for the year

Moveable assets: The useful life of movable assets was reviewed as at 01 July 2011. It was found that some moveable assets would have fully depreciated within the current financial year. The useful life of these assets where extended with 2 years after review.

The Land register was reconciled to the valuation roll. It was found that some properties was not in the register and it was added to the register. it was also found that some of the properties value on the register did not correspond with the value on the valuation roll. The values on the asset register was revalued so that it balances with the valuation roll.

8.1 INTANGIBLE ASSETS

	Intangible R
Carrying values at 30 June 2011	41,185,281
Cost	48,555,935
Accumulated depreciation – cost	-7,370,654
Other movements/transfers	
Acquisitions	1,689,406
Capital under construction	6,709,972
Depreciation – based on cost	-15,157,028
Depreciation- movements/transfers	
Carrying values at 30 June 2011	34,427,631
Cost	56,955,313
Accumulated depreciation – cost	-22,527,682

8.2 INVESTMENT PROPERTY

Carrying values at 30 June 2011	125,510,500
Cost	125,510,500
Accumulated depreciation – cost	0
Other movements/transfers	12,849,167
Carrying values at 30 June 2012	138,359,667
Cost	138,359,667
Accumulated depreciation – cost	0

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8.3 BIOLOGICAL ASSETS

8.3.1 Reconciliation of Carrying Value

	Game	Other Assets	Total
	R	R	R
as at 1 July 2010	8,774,385	-	8,774,385
Cost/Valuation	8,774,385	-	8,774,385
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Decrease due to harvest/sales	-	-	-
Gains from changes in fair value	1,578,940	-	1,578,940
Carrying value of disposals	-	-	-
Cost/Valuation	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
as at 30 June 2011	10,353,325	-	10,353,325
Cost/Valuation	10,353,325	-	10,353,325
Accumulated depreciation and impairment losses	-	-	-

* Other movements consist of.....

Reconciliation of Carrying Value

	Game	Other Assets	Total
	R	R	R
as at 1 July 2011	10,353,325	-	10,353,325
Cost/Valuation	10,353,325	-	10,353,325
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Decrease due to harvest/sales	-	-	-
Gains from changes in fair value	4,255,968	-	4,255,968
Carrying value of disposals	(7,304,647)	-	(7,304,647)
Cost/Valuation	-	-	-
Accumulated depreciation and impairment losses	(7,304,647)	-	(7,304,647)
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements*	-	-	-
as at 30 June 2012	7,304,647	-	7,304,647
Cost/Valuation	14,609,293	-	14,609,293
Accumulated depreciation and impairment losses	-7,304,647	-	(7,304,647)

	2012 R	2011 R
9. INVESTMENTS		
Long Term Investments		
Standard Bank	58 999 800	
Investment in municipal entity (THA)	8 217 389	8 217 389
	<u>67 217 189</u>	<u>8 217 389</u>
Short Term Fixed Deposits		
ABSA Bank	50 000 000	80 576 137
First National Bank	40 000 000	20 000 000
Ned bank	60 000 000	40 279 912
Standard Bank	73 808 054	79 137 173
	<u>223 808 054</u>	<u>219 993 222</u>
Total Investments	<u>291 025 243</u>	<u>228 210 611</u>
Council's valuation of investments	<u>291 025 243</u>	<u>228 210 611</u>
No investments have been written off during the The Standard Bank long term investment serves as guarantee for Eskom bulk purchases		
10. RECEIVABLES		
Non-Current Portion of Receivables		
Housing selling scheme loans	2 243 264	2 397 719
Sport loans	662 638	932 016
Erven loans	7 419 480	21 312 350
Loan to Subsidiary - Polokwane Housing Association	5 844 323	5 126 599
	<u>16 169 704</u>	<u>29 768 684</u>
Current Portion of Receivables		
Current portion transferred to current receivables		
	<u>7 502 238</u>	<u>21 371 735</u>
Housing selling scheme loans	132 494	141 686
Sport loans	0	88 200
Erven loans	7 369 744	21 141 849
	<u>8 667 466</u>	<u>8 396 949</u>
Housing selling scheme loans These loans have different interest rates and loans were given over a period of 30 years.		
Sport loans These loans were given to sporting bodies at an interest rate of 10% repayable over 10 years. These loans are repayable in 2016.		
Erven loans These loans were granted to the community for the purchase of stands. The loans attract different interest rates.		
Loan to Subsidiary An interest free loan was given to the Polokwane Housing Association. The loan is repayable in 2017.		

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	2012 R	2011 R
11. INVENTORY		
Opening balance of inventories	53 879 838	52 629 647
Consumables stores - at cost	50 056 087	48 961 426
Other goods held for resale - at cost	3 564 847	3 246 426
Water	258 904	421 795
Additions	161 489 844	151 414 733
Consumables stores	34 696 568	46 284 461
Other goods held for resale	10 768 716	318 421
Water	116 024 560	104 811 851
Issued (Expensed)	(155 214 212)	(144 854 652)
Consumables stores	(37 907 184)	(39 879 910)
Other goods held for resale	(1 264 912)	
Water	(116 042 116)	(104 974 742)
write-down/ (reversal of write-down) to Net replacement Value and stolen	0	(5 309 890)
Consumables stores	0	(5 309 890)
Closing balances of inventories	60 155 470	53 879 838
Consumable stores - at cost	46 845 471	50 056 087
Unsold properties held for resale	13 068 651	3 564 847
Water - at cost	241 348	258 904

Only unsold properties listed under inventory

which were sold during the year, were expensed.
Consumable stores fair value disclosed is based on the weighted average calculation method

12. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSCATIONS

Consumer Debtors	401 234 267	330 403 419
Sale of water and electricity 15 to 30June	26 246 588	20 058 221
Less Provision for bad debts	(168 346 946)	(145 856 743)
Less contra debtors suspense account	(2 806 684)	(18 800 341)
Plus outstanding RD cheques	134 733	7 697 583
	256 461 958	193 502 139
Ageing of consumer debtors		
Current (0-30 days)	119 500 842	101 884 601
31-60 days	26 970 400	29 402 051
61-90 days	16 620 294	13 186 022
91-120 days	12 282 698	12 694 151
120+ days	254 090 730	193 376 760
	429 464 964	350 543 585
Consumer debtors per category		
Government	46 425 701	26 367 371
Business	137 343 215	46 660 282
Individuals	234 874 936	268 128 944
Other	10 822 112	9 386 988
	429 465 964	350 543 585

The analysis and ageing of consumer debtors per service could not be provided as the billing system utilised by the municipality was not set up to generate such reports. During the next reporting period will the information be made available

Reconciliation of bad debt provision

Balance at beginning of year	145 856 743	106 736 120
Contributions to provision	35 511 426	39 120 623
Bad debts recovered/(written off) against provision	(13 021 223)	
Over provision previous year		
Balance at year end	168 346 946	145 856 743

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13. OTHER RECEIVABLES		
Other debtors	3 360 793	3 115 810
Deposits	509 300	500 900
	<u>3 870 093</u>	<u>3 616 710</u>
14. VAT		
Vat refundable	<u>65 878 887</u>	<u>11 599 731</u>
Vat is payable on cash basis.		
15. CASH AND CASH EQUIVALENTS		
The municipality has the following bank accounts:		
Current account (primary bank account)		
Standard Bank: Polokwane		
Account number: 030172349		
Bank statement balance at beginning of year	10 122 899	18 314 811
Bank statement balance at end of year	<u>9 072 633</u>	<u>10 122 899</u>
Cash book balance at beginning of year	4 863 581	(96 027 207)
Cash book balance at end of year	<u>10 866 064</u>	<u>4 863 581</u>
2010 Account		
Standard Bank: Polokwane		
Account number: 330535250		
Bank statement balance at beginning of year	0	(70)
Bank statement balance at end of year	<u>0</u>	<u>0</u>
Cash book balance at beginning of year	0	(70)
Cash book balance at end of year	<u>0</u>	<u>0</u>
Housing Account		
Standard Bank: Polokwane		
Account number: 330535269		
Bank statement balance at beginning of year	333 424	318 349
Bank statement balance at end of year	<u>349 572</u>	<u>333 424</u>
Cash book balance at beginning of year	333 424	318 349
Cash book balance at end of year	<u>349 572</u>	<u>333 424</u>
Other	14 134	545
Petty cash	43 760	43 760
	<u>11 273 530</u>	<u>5 241 310</u>
16. NON-CURRENT ASSETS HELD FOR SALE	2012	2011
Property, plant and equipment	-	#REF!
Investment property	-	#REF!
Other assets	-	-
	<u>-</u>	<u>#REF!</u>
The municipality did not have Non-current assets held for sale in the current and prior financial years.		

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17		
PROPERTY RATES		
Residential	88 444 976	82 154 432
Government	24 993 029	22 876 995
Commercial	90 876 646	85 179 961
Other	25 108 048	21 718 224
	<u>229 422 699</u>	<u>211 929 612</u>
VALUATIONS	R000's	R000's
Residential	20 813 955	20 461 205
Government	3 481 208	3 328 973
Commercial	12 384 377	12 325 206
Municipal	2 045 913	1 878 292
Other	6 323 841	6 231 994
	<u>45 049 294</u>	<u>44 225 670</u>
Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2010. The basic rate for 2011/12 was .021501c in the Rand on land. Different rebates are granted to owners dependent on the land value of the property. An additional rebate of 20% was granted to pensioners.		
18		
SERVICE CHARGES		
Sale of electricity	556 892 476	434 520 160
Sale of water	137 850 018	105 647 778
Refuse removal	47 227 905	44 289 851
Sewerage and sanitation charges	39 311 034	36 355 770
	<u>781 281 433</u>	<u>620 813 560</u>
19		
RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	5 509 961	4 336 869
Rental of equipment	0	0
Total rentals	<u>5 509 961</u>	<u>4 336 869</u>
20		
GOVERNMENT SUBSIDIES & GRANTS		
<i>Operating Grants</i>	367 484 803	360 475 959
Equitable share	350 705 000	307 859 481
Municipal systems improvement grant	790 000	750 000
Water services operating grant	13 111 000	14 667 000
Finance management grant	1 250 000	632 128
Public transport infrastructure and systems grant	0	35 000 000
Public partners		1 567 350
Sport & Recreation	1 628 803	0
<i>Capital Grants</i>	213 510 998	129 515 626
Municipal infrastructural grant	160 800 542	62 236 678
Finance management grant	0	367 872
Integrated national electrification programme grant	16 111 934	14 688 067
Electricity demand side management grant	951 973	14 510 469
Public transport infrastructure grant	14 792 776	11 528 190
Expanded public works programme incentive grant	1 248 481	2 478 852
Neighbourhood development	19 605 292	5 553 258
Public partners	0	1 961 094
Water services refurbishment grant	-	16 191 147
Total Government Grants & Subsidies	<u>580 995 801</u>	<u>489 991 585</u>

	2012 R	2011 R
20 GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
20.1 Equitable Share		
Balance unspent at beginning of year	0	0
Current year receipts	350,705,000	307,859,481
Conditions met – transferred to revenue	(350 705 000)	(307 859 481)
	<u>0</u>	<u>0</u>
This grant is an unconditionally grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy of R160.00 (2011: R141.00) which is funded from this grant.		
20.2 Restructuring Grant		
Balance unspent at beginning of year	953 927	953 927
Current year receipts	-	-
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities (see note 7)	<u>953 927</u>	<u>953 927</u>
The grant was used for various restructuring initiatives.		
20.3 Finance Management Grant		
Balance unspent at beginning of year	0	0
Current year receipts	1 250 000	1 000 000
Conditions met – transferred to revenue	(1 250 000)	(1 000 000)
Unspent amount transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
20.4 Water Services Operating Subsidy Grant		
Current year receipts	13 111 000	14 667 000
Conditions met – transferred to revenue	(13 111 000)	(14 667 000)
Unspent amount transferred to liabilities (see note 7)	<u>-</u>	<u>-</u>
The grant was utilised to subsidize salaries of staff and repair and maintenance of water schemes transferred by DWAF.		
20.5 Public Transport Infrastructure and Systems		
Balance unspent at beginning of year	5 250 000	11 528 189
Current year receipts	55 347 000	40 250 000
Conditions met – transferred to revenue	(14 792 776)	(46 528 189)
Paid back to National Treasury	(11 527 369)	0
Unspent amount transferred to liabilities (see note 7)	<u>34 276 855</u>	<u>5 250 000</u>
The grant was used for public transport and non motorised transport infrastructure.		
20.5 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	0	0
Current year receipts	790 000	750 000
Conditions met – transferred to revenue	(790 000)	(750 000)
Unspent amount transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
The purpose of the grant is for institutional systems. The grant was utilised.		
GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
20.6 Department of Sport & Recreation		
Balance unspent at beginning of year	0	
Current year receipts	2 000 000	
Conditions met – transferred to revenue	(1 628 803)	
Unspent amount transferred to liabilities (see note 7)	<u>371 197</u>	<u>0</u>
This grant was utilised to construct a new 2010 stadium for the 2010 FIFA soccer World Cup. The conditions of the grant were met and no		

	2012 R	2011 R
20.7 Municipal Infrastructure Grant		
Balance unspent at beginning of year	118 520 005	28 927 683
Current year receipts	182 607 000	151 829 000
Conditions met – transferred to revenue	(160 800 542)	(62 236 678)
Paid back to National Treasury	(28 927 683)	0
Unspent amount transferred to liabilities	111 398 780	118 520 005
(see note 7)		
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.		
20.8 Limpopo Provincial Government		
Balance unspent at beginning of year	2 949 710	2 949 710
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	2 949 710	2 949 710
(see note 7)		
20.9 Water Services Refurbishment Grant		
Balance unspent at beginning of year	-	16 191 147
Current year receipts	6 407 000	0
Conditions met – transferred to revenue	-	(16 191 147)
Unspent amount transferred to liabilities	6 407 000	-
(see note 7)		
The grant was utilised to subsidise water schemes transferred by DWAF.		
20.10 Limpopo Local Government & Housing		
Balance unspent at beginning of year	333 424	318 349
Current year receipts	16 148	15 075
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	349 572	333 424
(see note 7)		
The grant was used to fund the housing accreditation process		
20.11 Local Government Transition Grant		
Balance unspent at beginning of year	649 874	649 874
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	649 874	649 874
(see note 7)		
The grant was used to fund the local government transitional phase		
20.12 Local Economic Development Grant		
Balance unspent at beginning of year	54 714	54 714
Current year receipts	0	0
Conditions met – transferred to revenue	0	0
Unspent amount transferred to liabilities	54 714	54 714
(see note 7)		
The grant was used to fund local economic development processes .		
20.13 Integrated National Electrification Programme Grant		
Balance unspent at beginning of year	7 992 204	14 680 271
Current year receipts	22 800 000	8 000 000
Conditions met – transferred to revenue	(16 111 934)	(14 688 067)
Paid back to National Treasury	(14 680 270)	0
Unspent amount transferred to liabilities	-	7 992 204
(see note 7)		
The grant was used to fund projects to address electrification backlogs in rural areas .		
Electricity Demand Side Management Grant		
20.14		
Balance unspent at beginning of year	257 208	2 767 678
Current year receipts	12 000 000	12 000 000
Conditions met – transferred to revenue	(951 973)	(14 510 470)
Paid back to National Treasury	(2 767 677)	0
Unspent amount transferred to liabilities	8 537 558	257 208
(see note 7)		
The grant was used to fund projects in order to mitigate the risk of load shedding and supply		

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	2012 R	2011 R
Expanded Public Works Programme Incentive		
20.15 Grant		
Balance unspent at beginning of year	970 098	0
Current year receipts	2 743 000	3 448 950
Conditions met – transferred to revenue	(1 248 481)	(2 478 852)
Unspent amount transferred to liabilities (see note 7)	2 464 617	970 098
The grant was used to fund projects in order to maximise job creation and skills development .		
Neighbourhood Development Partnership		
20.16 Grant		
Balance unspent at beginning of year	2 605 292	0
Current year receipts	17 000 000	8 158 550
Conditions met – transferred to revenue	(19 605 292)	(5 553 258)
Unspent amount transferred to liabilities (see note 7)	-	2 605 292
The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships .		
PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT		
21 Loc, Anglo Platinum & National Lottery		
Balance unspent at beginning of year	26 296 000	-
Current year receipts	16 506 181	29 824 444
Conditions met – transferred to revenue	(36 649 037)	(3 528 444)
Unspent amount transferred to liabilities (see note 7)	6 153 144	26 296 000
The grant was utilised to install water infrastructure.		
Total Unspent grants, Subsidies & Public Contributions	174 566 948	166 832 456
See note 7 for reconciliation		
22 INVESTMENT REVENUE EXTERNAL INVESTMENTS		
Current account	7 902 589	3 023 736
External investments	15 933 780	5 078 795
Investment in PHA	717 724	629 582
	24 554 093	8 732 113
23 OTHER REVENUE		
Building plan fees	3,084,898	3 190 319
Consumer Connection fees		6 300 114
Sale of erven	1,264,912	21 430 899
Surcharge excess	27,653,014	20 605 785
Royalties Silicon	316,101	2 192 792
Services contributions	0	2 217 622
Reconnection and notice fees	0	5 471 096
Refund Seta levy	2,091,788	1 196 154
Laboratory tests	0	3 508 172
Retention forfeited	6,540,551	0
Insurance claims	3,908,950	0
Admission fees	748,108	0
Sundry income	6,286,336	6 456 796
	51,895,658	72 569 750
24 EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	237 100 389	221 617 548
Employee related cost - Social contributions	58 648 612	56 140 565
Motor car allowances	26 015 547	22 269 567
Housing benefits and other allowances	9 356 697	8 458 689
Overtime benefits	50 881 279	43 026 019
Leave reserve provision	0	5 372 469
Long term service awards	0	5 286 963
	382 002 524	362 171 819
There were no advances paid to employees.		

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Municipal Manager		
Annual remuneration	856 947	496 734
Allowances	206 475	139 188
Council Contributions	189 324	122 074
	<u>1 252 746</u>	<u>757 996</u>
 Chief Financial Officer		
Annual remuneration	812 400	807 095
Allowances	72 000	72 000
Council Contributions	197 933	181 809
	<u>1 082 333</u>	<u>1 060 904</u>
 Director Planning & Economic Development		
Annual remuneration	503 989	402 265
Allowances	161 383	84 000
Council Contributions	129 114	71 261
	<u>794 486</u>	<u>557 526</u>
 Director Engineering Services		
Annual remuneration	547 437	200 045
Allowances	168 000	63 280
Council Contributions	137 997	58 561
	<u>853 434</u>	<u>321 886</u>
 24 EMPLOYEE RELATED COSTS (CONT)		
Director Community Development		
Annual remuneration	539 285	508 375
Allowances	216 000	216 000
Council Contributions	160 192	148 569
	<u>915 477</u>	<u>872 944</u>
 Director Corporate & Shared Services		
Annual remuneration	768 677	272 940
Allowances	144 000	54 240
Council Contributions	1 557	644
	<u>914 234</u>	<u>327 824</u>
 Director Strategic Planning, Monitoring & Evaluation		
Annual remuneration	638 229	576 428
Allowances	197 951	168 000
Council Contributions	168 343	149 614
	<u>1 004 522</u>	<u>894 042</u>
 No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.		
 25 REMUNERATION OF COUNCILLORS		
Executive Mayor	775 588	745 004
Speaker	613 576	599 569
Chief Whip	580 891	485 433
Mayoral Committee members	4 299 698	3 816 886
Councillors	14 344 978	14 131 997
	<u>20 614 731</u>	<u>19 778 889</u>
 In-kind Benefits		
The Executive Mayor, Speaker and certain Mayoral Committee Members are full time. Each is provided with an office and secretarial support The Executive Mayor has use of a Council owned vehicle.		
 26 FINANCE COST		
Local Registered Stock loans	3 977	88 199
Finance leases	452 419	759 800
Annuity loans	28 970 407	12 224 742
	<u>29 426 803</u>	<u>13 072 740</u>

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
27 BULK PURCHASES		
Electricity	402 771 978	313 590 343
Water	116 024 560	104 811 851
	<u>518 796 538</u>	<u>418 402 194</u>
28 GRANT AND SUBSIDIES PAID		
Animal care : SPCA	240 000	240 000
Grant - PHA	5 881 695	0
	<u>6 121 695</u>	<u>240 000</u>
29 GENERAL EXPENSES		
Free basic services	18 741 578	16 139 113
Printing and stationery	4 314 991	4 049 696
Rental equipment	8 256 307	5 908 477
Stores and material	2 129 874	2 844 529
Meter reading	6 120 087	4 200 976
Research and development	4 699 027	1 679 953
Training	2 556 127	2 491 358
Postage and telegram	2 010 830	1 966 669
Legal expenses	6 213 959	2 159 657
Subsistence and travelling	5 650 283	4 088 123
Security services	21 094 620	17 780 759
Telephone costs	4 705 391	5 087 758
Garden services	7 118 182	4 955 221
Awareness campaigns	95 829	67 685
Insurance	8 451 211	7 345 025
Levy Seta training	3 478 526	2 966 776
Street cleaning	8 542 191	7 795 615
Special Events	9 923 506	0
Provision for rehabilitation of landfill sites	304 668	276 971
Fuel and oil	7 921 679	5 896 419
Bank charges	2 746 322	3 213 987
Stock losses	249 212	1 000 494
Loss on disposal of assets	0	131 631
Festivals	783 131	0
2010 Stadium Operating expenses	41 892 866	53 458 437
Subscription fees	3 478 235	2 687 032
Medical aid contributions continued members	24 573 363	22 631 323
Valuation roll	424 173	1 988 333
Waste disposal	16 570 618	6 853 970
Other	74 894 581	50 046 822
	<u>297,941,368</u>	<u>239 712 809</u>
30 CORRECTION OF ERROR		
None		
31 CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	133 974 948	80 683 783
Adjustment for:		
Current year non cash adjustment	65 878 059	0
Correction of prior year error	0	0
Depreciation charges	231 254 348	176 460 819
Asset impairment	1 202 194	0
Contribution to Reserve	0	0
Interest received	(42 232 584)	(8 732 113)
Interest paid	29 426 803	13 072 740
Operating surplus before working capital changes	419 503 768	261 485 229
(Increase)/decrease in inventories	(6 275 632)	(1 250 191)
(Increase)/decrease in debtors	(62 959 819)	(39 852 058)
(Increase)/decrease in other debtors	(253 382)	2 417 219
Increase/(decrease) in conditional grants	7 734 491	87 810 916
Increase/(decrease) in creditors	20 690 693	(48 645 490)
Increase/(decrease) in provisions	18 941 325	16 636 338
(Increase)/decrease in VAT	(54 279 155)	31 150 799
Cash generated by operations	<u>343 102 289</u>	<u>309 752 763</u>

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
32 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003			
32.1 Contribution to SALGA			
Council membership fees payable	2 073 614	1 877 425	
Amount paid current year	(2 073 614)	(1 877 425)	
Balance unpaid (included in creditors)	-	-	
32.2 Audit Fees			
Current year audit fee	2 302 725	3 101 941	
Amount paid current year	(2 302 725)	(3 101 941)	
Balance unpaid (included in creditors)	-	-	
32.3 VAT			
VAT was payable on the invoice basis for 11 months of the year. Since June 2012 VAT was payable on cash basis. VAT input receivables and VAT output payable are shown in note 14. All VAT returns have been submitted by the due date throughout the year.			
32.4 Pay as You Earn (PAYE)			
Current payroll deductions	52 594 193	47 486 008	
Amount paid current year	(52 594 193)	(47 486 008)	
Balance unpaid	-	-	
32.5 Unemployment Insurance Fund (UIF)			
Current payroll deductions	4 011 698	3 883 679	
Amount paid current year	(4 011 698)	(3 883 679)	
Balance unpaid	-	-	
32.6 Medical Aid			
Current payroll deductions	24 368 502	24 467 420	
Amount paid current year	(24 368 502)	(24 467 420)	
Balance unpaid	-	-	
32.7 Pension Fund			
Current payroll deductions	59 021 625	56 534 057	
Amount paid current year	(59 021 625)	(56 534 057)	
Balance unpaid	-	-	
32.8 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2012			
Nkadineng SE	6 131	166	5 965
Mothiba LM	18 040	1 221	16 819
Raletjena	71 838	46 471	25 367
Mokgokong NJ	3 127	444	2 683
Total Councillor Arrear Consumer Accounts	99 135	48 301	50 833

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

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		2012 R	2011 R
	Highest Amount Outstanding R	Ageing Days	
as at 30 June 2012			
Raleitjena	71 838	60	
Mothiba LM	18040	120+	
Nkadimeng SE	6131	120+	
Mokgokong NJ	3127	120+	
33	COMMITMENTS		
33.1 (a)	Commitments in respect of capital expenditure:		
Approved and contracted for		<u>284 218 000</u>	<u>302 802 000</u>
The expenditure will be financed from:			
- Capital Replacement Reserve		156 677 810	166 185 733
- Government and other Grants		<u>127 540 190</u>	<u>136 616 267</u>
		<u>284 218 000</u>	<u>302 802 000</u>
33.1 (b)	Operating leases		
	The Municipality did not have operating leases in the current or previous year		
33.2	CONTINGENT LIABILITIES	<u>28 305 818</u>	<u>2 039 900</u>
	See Annexure H for full detail on Contingent Liabilities	<u>28 305 818</u>	<u>2 039 900</u>
	The above legal matters are ongoing and have not yet been finalized.		

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**UNAUTHORISED, IRREGULAR, FRUITLESS
AND WASTEFUL EXPENDITURE**
34 DISALLOWED

	2012	2011
34.1 Unauthorized expenditure		
Reconciliation of unauthorized expenditure		
Opening balance	383,656,522	182,218,767
Unauthorized expenditure current year		89,849,171
Over expenditure 2011/2012		111,588,584
Approved by Council or condoned	(376,469,686)	-
Transfer to receivables for recovery	-	-
Unauthorized expenditure awaiting authorization	<u>7,186,836</u>	<u>383,656,522</u>

34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	909,100	909,100
Fruitless and wasteful expenditure current year:		
Interest paid to Lepelle Northern Water	733,561	
Commitment fee paid to DBSA	357,979	
Condoned or written off by Council	(2,000,640)	-
To be recovered – contingent asset		-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>909,100</u>

Interest to the amount of R733 560.90 was paid
To Lepelle Northern Water for late payment of
account (Disputed account)

Commitment fee to the amount of R357 979.19
was paid to DBSA for not taken up loan in time.

34.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	14,327,869	325,184
Non compliance with SCM policy/tender and quotation procedures		10,902,313
Non compliance with SCM policy/awards to persons employed by the state		2,996,025
Non compliance with SCM policy/awards to persons employed by the Municipality		104,347
Overtime paid in contravention of the Basic Conditions of Employment	17,762,778	
Condoned or written off by Council	(18,135,041)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>13,955,606</u>	<u>14,327,869</u>

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2012

Section 57 Managers received increases during the year without signing performance contracts.

During the year, goods and/or services to the amount off R10 902 313 were acquired with out following SCM policy.

During the year, payments for goods and/or services to the amount of R2 996 025 were made to persons who are employed by the state

During the year, payments for goods and/or services to the amount of R104 347 were made to persons who are employed by the Municipality

These expenditure deemed to be irregular expenditure.

35 PROVISIONS

35.1 Provision for rehabilitation of landfill sites

Carrying amount at beginning of year	3,046,683	2,769,712
Additions during the year	304,668	276,971
Reductions during the year	0	0
Carrying amount at end of year	<u>3,351,351</u>	<u>3,046,683</u>

The Weltevreden Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act (Act 73 of 1989) and is located on portion 4 of the farm Weltevreden 746 LS - District Polokwane. The expected life span of the site is a further 12 years

35.2 Post-Employment Health Care Benefits

Fair value of plan assets	-	-
Accrued liability	154,437,733	138,685,784
Unfunded Accrued Liability	154,437,733	138,685,784
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Miscellaneous item	-	-
Net Liability in Balance Sheet	<u>154,437,733</u>	<u>138,685,784</u>

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	138,685,785	124,945,775
Current-service cost	7,441,274	6,813,415
Interest cost	12,702,854	11,372,251
Expected return on plan assets	-	-
Actuarial (Gain)/Loss	-	-
Past-service cost	-	-
Effect of curtailment/settlement	-	-
Actual employer benefit payments	(4,392,180)	(4,445,656)
Employer prefunding contributions	-	-
Closing Balance	<u>154,437,733</u>	<u>138,685,785</u>

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2012

Net liability to reflect in the balance sheet

Opening balance	138,685,785	124,945,775
Current-service cost	7,441,274	6,813,415
Interest	12,703,854	11,372,251
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (Gain)/loss recognised in P&L	-	-
Past-service cost recognised	-	-
Effect of curtailment/settlement	-	-
Net Periodic Cost Recognised in P&L	158,830,913	143,131,441
Actual employer benefits payments	(4,392,180)	(4,445,656)
Transitional liability recognised	-	-
Employer prefunding contributions	-	-
Transitional liability recognised P&L	-	-
Actuarial (Gain)/loss recognised outside P&L	-	-
Closing Balance	154,438,733	138,685,785

The following assumptions has been used for current and prior year

Discount rate	9.14%	9.14%
Health care cost inflation rate	9.65%	9.65%

35.3 Long Service Awards

Fair value of plan assets	-	-
Accrued liability	13,154,854	10,891,471
Unfunded Accrued Liability	13,154,854	10,891,471
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Miscellaneous item	-	-
Net Liability in Balance Sheet	13,154,854	10,891,471

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	10,891,471	8,873,872
Current-service cost	1,980,190	1,822,778
Interest cost	648,710	604,072
Expected return on plan assets	-	-
Actuarial (Gain)/Loss	-	-
Past-service cost	-	-
Effect of curtailment/settlement	-	-
Actual employer benefit payments	(365,517)	(409,251)
Employer prefunding contributions	-	-
Closing Balance	13,154,854	10,891,471

Net liability to reflect in the balance sheet

Long

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2012

Opening balance	10,891,471	8,873,872
Current-service cost	1,980,190	1,822,778
Interest	648,710	604,072
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (Gain)/loss recognised in P&L	-	-
Past-service cost recognised	-	-
Effect of curtailment/settlement	-	-
Net Periodic Cost Recognised in P&L	13,520,371	11,300,722
Actual employer benefits payments	(365,517)	(409,251)
Transitional liability recognised	-	-
Employer prefunding contributions	-	-
Transitional liability recognised outside P&L	-	-
Actuarial (Gain)/loss recognised outside P&L	-	-
Closing Balance	13,154,854	10,891,471

Employees qualify for the following long service awards:

- After 10 years of continuous service an amount of R603.00 (adjusted annually) per each year of service.
- After 20 years of continuous service a watch to the value of R5 455 (adjusted annually)
- Additional 10,20 and 30 leave days for 10,15 and each 5 years after 15 years of service respectively

35.4 Ex-gratia benefits

Fair value of plan assets	-	-
Accrued liability	6,807,811	6,186,486
Unfunded Accrued Liability	6,807,811	6,186,486
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Miscellaneous item	-	-
Net Liability in Balance Sheet	6,807,811	6,186,486

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	6,186,486	5,584,727
Current-service cost	467,382	428,348
Interest cost	478,055	512,861
Expected return on plan assets	-	-
Actuarial (Gain)/Loss	-	-
Past-service cost	-	-
Effect of curtailment/settlement	-	-
Actual employer benefit payments	(324,112)	(339,450)
Employer prefunding contributions	-	-
Closing Balance	6,807,811	6,186,486

Net liability to reflect in the balance sheet

Long

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2012

Opening balance	6,186,486	5,584,727
Current-service cost	467,382	428,348
Interest	478,055	512,861
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (Gain)/loss recognised in P&L	-	-
Past-service cost recognised	-	-
Effect of curtailment/settlement	-	-
Net Periodic Cost Recognised in P&L	7,131,923	6,525,936
Expected employer benefits payments	(324,112)	(339,450)
Transitional liability recognised	-	-
Employer prefunding contributions	-	-
Transitional liability recognised outside P&L	-	-
Actuarial (Gain)/loss recognised outside P&L	-	-
Closing Balance	6,807,811	6,186,486
Total Provisions	177,751,749	158,810,424

36 RISK MANAGEMENT

36.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Financial assets exposed to credit risk at year end were as follows:

Investment in Banks	223,808,054	219,993,222
Trade and other receivables	256,461,958	193,502,139
	480,270,012	413,495,361

These balances represent the maximum exposure to credit risk.

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36.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Borrowings	298,587,916	254,480,801
Trade and other payables	200,999,277	180,308,585
	<u>499,587,193</u>	<u>434,789,386</u>

RATIFICATION OF DEVIATIONS FROM BREACHES IN PROCUREMENT

37 PROCESSES

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances.

	<u>10,497,195</u>	<u>13,868,634</u>
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38 FINANCE LEASE COMMITMENTS

The municipality future lease commitments on printing equipment and their present values are as follows:

	Minimum lease payments	Finance costs	Present value
2012			
Current			
Due within one year	2,690,373	93,369	2,597,004
Due between one and five years	-	-	-
	<u>2,690,373</u>	<u>93,369</u>	<u>2,597,004</u>
2011			
Due within one year	4,421,714	452,419	3,969,296
Due between one and five years	2,690,373	93,369	2,597,004
	<u>7,112,087</u>	<u>545,788</u>	<u>6,566,299</u>

The implicit interest rate embedded on a lease is 9.5%. The lease expires in February 2013 (Itec Meso) and the other one is Konica Minolta which expire in 28 February 2012

39 RELATED PARTIES

Relationships

Members of key management

No other payments are paid outside contractual employment payments from employment. Refer to note 22 for remuneration.

Other related party relationships

Polokwane Housing Association. Refer to note 10

Related party transactions

Compensation to councillors and other key management

Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to note 23 for remuneration of councillors.

Post employment benefit plan for employees of municipality and/or other related parties

Refer to note 35.2

Related party balances

Loan accounts - Owed by related parties

Thabatshweu Housing Association	14,061,713	11,251,748
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Debtors accounts for rates - Owed by related parties

Thabaishweu Housing Association	3,206,471	2,666,073
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40 DISTRIBUTION LOSSES

The municipality has incurred the following distribution losses as result of supply of electricity and water

Water distribution losses in KL	7 982 232 (21.21%)	5 331 204 (21.71%)
Electricity distribution losses kWh	73 822 461 (9.79%)	91 669 634 (12.34%)

41 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure G

42 CHANGE IN ACCOUNTING POLICY

There were no change in account policy that required changes to the prior year reporting amounts.

43 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment
Intangible assets
Investment property
Biological assets
Other financial assets
Total Gain / (Loss) on Sale of Assets

	-
	-

There were no disposals of assets during the current and previous financial years

44 IMPAIRMENT LOSS

Property, plant and equipment
During the physical verification of all movable assets, a condition assessment of each asset was done. It was established that a total of 957 assets were in worse condition than expected. The recoverable service amount was determined by estimating what the entity could sell the asset for to a third party in an arms' length transaction.
Total Impairment loss

	1,202,193.92	-
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	1,202,193.92	-
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45 EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution and benefit plan

The Council provides retirement benefits to employees by contributing to pension and provident Funds Membership of either pension or provident fund is compulsory for all permanent employees.

The municipality and its employees contribute to 5 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund) cater for the majority of the staff. The Joint Municipal Pension Fund, Municipal Employees Pension Fund, Municipal Gratuity Fund ,Samwu National Provident Fund and National Fund for Municipal Workers are defined benefit funds.

At the time of submission of this annual financial statement were the actuarial valuation reports of the various pension funds not available.

The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:

	2012	2011
The Joint Municipal Pension Fund	2,649,786	2,460,486
Municipal Employees Pension Fund	25,805,272	24,209,516
Municipal Employees Gratuity Fund	12,491,302	11,564,893
Samwu National Provident Fund	8,712,658	4,583,768
National Fund For Municipal Workers	5,114,006	0
	54,773,024	42,818,664

Post-Retirement medical aid contributions

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Key-Health, LA Health and Samwumed. Pensioners may continue on the option they belonged to on the day of their retirement.

The last post-employment health care benefits actuarial valuation in terms of IAS19 was done by ARCH Actuarial Consulting for the period ending 30 June 2012.

For the 2011/2012 financial period were no actuarial valuation done and is staff benefit provision based on the last valuation that was undertaken by ARCH Actuarial Consulting during the 2009/2010 financial period. A new valuation will be undertaken in the future in terms of IAS 19 or GRAP 25 when effective.

According to the last valuation did the accrued liability amount to R 124,94 million as at 30 June 2010. The estimated projection for 2011/2012 amounted to R 154.44 million that needs be recovered over three year period.

A reconciliation of Polokwane accrued liability for the year ending 30 June 2012 is set out below:

Year ended 30 June 2012

	2012	2011
Opening balance	138,685,875	124,945,775
Service cost	7,441,274	6,813,415
Interest cost	12,702,854	11,372,251
Expected benefit payment	(4,392,179)	(4,445,656)
Expected closing balance	154,437,733	138,685,875
Actuarial (gain)/loss -		
Actual closing balance	154,437,733	138,685,785

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-Wholly unfunded	(154,437,733)	(138,685,785)
---	---------------	---------------

Movements for the year

Opening balance	(138,685,785)	(124,945,775)
Contributions - Current year	(15,751,948)	(13,740,010)
Closing balance	(154,437,733)	(138,685,785)

Key assumptions used

The projected unit credit method is used as the standard valuation methodology for the valuation done during the 2009/2010 financial period. Plan assets were valued at current market value as required by IAS19.

Assumptions used on last valuation on 30 June 2010.

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POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS ENDED 30 JUNE 2012

Discount rates used	9.22%	9.22%
Medical inflation - lower than discount rate	7.25%	7.25%
Net effective discount rate	1.83%	1.83%

Other assumptions; Post retirement mortality
PA (90-1) Retirement age 65 years

Sensitivity analysis

The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath.

Sensitivity to medical inflation

Base	125,178,769	125,178,769
-1%	109,804,000	109,804,000
1%	143,885,000	143,885,000
	<u>378,867,769</u>	<u>378,867,769</u>

The employees of the Council as well as the Council as employer, contribute to municipal medical aids as listed below

	2012	2011
Bonitas	7,455,198	651,971,967
Hosmed	3,789,138	3,628,954
Key Health	9,370,997	8,873,986
LA Health	2,218,060	1,821,121
Samwumed	1,535,109	940,720
Total	<u>24,368,502</u>	<u>667,236,749</u>

46 EVENTS AFTER THE REPORTING PERIOD

The Municipality appointed a Municipal Manager effectively from the 1 July 2012
The post was vacant for two months during the financial year.

47 GOING CONCERN

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under threat.

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APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

External Loans	Loan No.	Redeemable	Balance at June 2011	30	Received during the period	Redeemed or written off during the period	Balance at June 2012	30
			R		R	R	R	
LONG TERM LOANS								
Stock Loan@10%	508	2011/12	15 400			15 400	0	
Stock Loan@10%	509	2011/12	41 667			41 667	0	
Stock Loan@10%	513	2011/12	8 333			8 333	0	
Stock Loan@10%	510	2013/14	53 333				53 333	
Stock Loan@10%	511	2013/14	30 000				30 000	
Stock Loan@10%	512	2013/14	30 000				30 000	
Stock Loan@10%	514	2014/15	100 000				100 000	
Stock Loan@10%	515	2014/15	10 000				10 000	
Stock Loan@10%	516	2014/15	22 000				22 000	
Stock Loan@10%	517	2014/15	83 333				83 333	
Stock Loan@10%	523	2014/15	14 667				14 667	
Stock Loan@10%	518	2015/16	7 799				7 799	
Stock Loan@10%	519	2015/16	8 633				8 633	
Stock Loan@10%	520	2015/16	40 000				40 000	
Stock Loan@10%	522	2015/16	6 829				6 829	
Stock Loan@10%	524	2015/16	90 000				90 000	
Stock Loan@10%	525	2015/16	200 000			200 000	0	
Stock Loan@10%	527	2016/17	20 000				20 000	
			781 995	0		265 400	516 595	
ANNUITY LOAN								
ANNUITY LOAN @ 11.52%	61000907	2019/20	47 125 797			3 196 763	43 929 034	
ANNUITY LOAN @ 8.875%	61006782	2020/21	233 151 298		86 848 702	30 049 806	289 950 194	
			280 277 095		86 848 702	33 246 569	333 879 228	
Total External Loans			281 059 090		86,848,702	33 511 969	334 395 823	

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APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012

	HISTORICAL COST				ACCUMULATED DEPRECIATION				Carrying Value	
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	
LAND	251,221,724	426,548,625	0	0	677,770,349	1,457,539	-1,457,539	0	0	677,770,349
Land	251,221,724	426,548,625			677,770,349	1,457,539	-1,457,539	0	0	677,770,349
BUILDINGS	1,644,839,035	173,897,447	37,736,300	0	1,856,472,782	160,750,542	82,046,162	0	222,796,704	1,833,676,078
Dwellings	28,009,772	4,290,547			32,300,319	4,290,547	1,074,997		5,365,544	26,934,774
Non Residential	1,616,829,263	169,606,900	37,736,300		1,824,172,463	156,459,995	80,971,165		217,431,160	1,606,741,304
INFRASTRUCTURE	2,951,980,627	350,610,993	172,037,109	-17,298,803	3,457,329,926	257,280,594	104,285,291	-4,316,560	357,249,325	3,100,080,600
Electricity reticulation	769,132,339	83,634,593	22,855,151		875,622,083	66,330,413	18,760,939		85,091,352	790,530,731
Roads, pavements, bridges & stormwater	1,310,190,720	158,535,035	89,986,796	-17,298,803	1,541,413,749	135,691,808	60,314,916	-4,316,560	191,690,164	1,349,723,584
Water reservoirs & reticulation	554,530,983	85,139,656	57,553,386		697,224,026	36,598,692	17,871,659		54,470,351	642,753,675
Sewerage purification & reticulation	307,257,352	21,712,493	1,641,776		330,611,621	18,013,315	6,301,148		24,314,463	306,297,159
Solid Waste	8,511,915	523,153			9,035,068	224,653	850,775		1,075,428	7,959,640
Cemeterials	2,357,318	1,066,062			3,423,380	421,713	185,854		607,567	2,815,812
MOVABLE & OTHER ASSETS	149,332,699	93,779,426	0	-1,202,195	241,909,931	55,736,227	29,859,437	0	85,595,664	156,314,267
Machinery & equipment	86,317,841	31,118,005		-708,980	116,726,866	24,240,058	15,119,871		39,359,929	77,366,938
Furniture & Equipment	14,590,728	12,518,871		-115,088	26,994,511	7,847,664	3,821,261		11,668,925	15,325,585
Computer Equipment	5,215,163	13,395,368		-378,127	18,232,404	4,518,891	2,445,412		6,964,303	11,268,101
Transport Vehicles	43,208,967	36,747,183			79,956,150	19,129,614	8,472,894		27,602,508	52,353,642
HERITAGE ASSETS	6,679,102	1,709,475	0	0	8,388,577	1,709,475	3,340,402	0	5,049,877	3,338,701
Heritage assets	6,679,102	1,709,475			8,388,577	1,709,475	3,340,402		5,049,877	3,338,701
BIOLOGICAL ASSETS	10,353,325	4,255,968	0	0	14,609,293	0	7,304,647	0	7,304,647	7,304,647
Biological Assets	10,353,325	4,255,968	0		14,609,293		7,304,647		7,304,647	7,304,647
INTANGIBLE ASSETS	41,185,282	9,060,060	6,709,971	0	56,955,313	7,370,654	15,157,028	0	22,527,682	34,427,631
Intangible Assets	41,185,282	9,060,060	6,709,971		56,955,313	7,370,654	15,157,028		22,527,682	34,427,631
INVESTMENT PROPERTY	125,510,500	12,849,167	0	0	138,359,667	0	0	0	0	138,359,667
Investment property	125,510,500	12,849,167			138,359,667	0	0		0	138,359,667
FINANCE LEASES	11,594,362	0	0	0	11,594,362	6,427,025	3,834,346	0	9,261,371	2,332,991
Finance leases	11,594,362	0	0		11,594,362	5,427,025	3,834,346		9,261,371	2,332,991
TOTAL	5,192,896,656	1,072,711,161	216,483,381	-18,500,998	6,463,390,200	489,732,057	224,369,773	-4,316,560	709,785,270	5,753,604,930

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**APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2012**

	HISTORICAL COST				ACCUMULATED DEPRECIATION			
	Opening Balance	Additions/ Transfers/WIP	Disposals	Closing Balance	Opening Balance	Additions/ Transfers/WIP	Disposals	Closing Balance
	R	R	R	R	R	R	R	R
EXECUTIVE COUNCIL								
Executive Council	786 854	1 254 468	-	2 041 322	422 186	78 601	-	500 787
								1 540 536
BUDGET & TREASURY								
Office	786 854	1 254 468	-	2 041 322	422 186	78 601	-	500 787
								1 540 536
CORPORATE SERVICES								
Finance	6 820 477	13 441 133	-	20 261 610	2 447 901	3 673 228	-	6 121 129
								14 140 481
	6 820 477	13 441 133	-	20 261 610	2 447 901	3 673 228	-	6 121 129
	312 541 111	99 426 953	-	411 968 064	34 955 178	11 248 682	-	46 203 861
								365 734 203
COMMUNITY & SOCIAL SERVICES								
Human Resources	882 243	5 407 345	-	6 289 588	409 845	327 586	-	737 431
IT Services	25 695 100	13 249 930	-	38 945 030	7 720 189	(2 456 873)	-	5 263 316
Property Services	255 108 521	53 551 515	-	308 660 036	16 624 559	4 469 312	-	21 093 871
Other Admin	30 855 247	52 914 023	-	83 769 270	10 230 585	8 908 657	-	19 139 242
								64 630 028
SPORT & RECREATION								
Sport & recreation	128 811 015	30 186 287	-	158 997 302	27 952 599	8 899 682	-	36 852 281
								122 145 021
LIBRARIES & ARCHIVES								
Libraries & archives	34 750 947	8 586 095	-	43 337 042	8 531 896	3 970 513	-	12 502 409
Museums	69 311 856	16 444 354	-	85 756 210	16 381 225	4 115 768	-	20 496 993
Community halls & facilities	4 952 623	365 459	-	5 318 082	351 036	221 806	-	752 842
Cemeteries & crematoriums	4 937 958	1 505 830	-	6 443 788	1 036 893	205 928	-	1 242 821
Other Social Services	14 857 631	3 304 549	-	18 162 180	1 651 549	385 666	-	2 037 215
								16 124 965
	1442 072 239	258 134 032	-	1700 206 331	95 875 185	72 698 632	-	168 573 817
								1531 632 514
SPORT & RECREATION								
Sport & recreation	1442 072 239	258 134 032	-	1700 206 331	95 875 185	72 698 632	-	168 573 817
								1 531 632 514
PUBLIC SAFETY								
Police	58 723 276	18 203 887	-	76 927 163	17 289 592	7 445 274	-	24 734 826
Fire	19 262 259	8 657 753	-	28 140 012	8 953 087	3 068 533	-	12 021 620
Street lighting	38 432 916	9 254 770	-	45 687 686	8 245 102	4 156 577	-	12 401 679
								33 286 007
	3 008 101	91 363	-	3 099 464	91 363	220 164	-	311 527
HOUSING								
Housing	129 386 385	(109 794 759)	-	19 591 626	610 612	147 350	-	757 962
								18 833 684
HEALTH								
Clinics	129 386 385	(109 794 759)	-	19 591 626	610 612	147 350	-	757 962
								18 833 684
	1 632 061	837 623	-	2 469 684	692 930	153 186	-	846 116
								1 623 568
	102 981 063	278 597 288	-	381 578 351	5 258 999	5 861 485	-	11 120 484
								370 457 867
PLANNING & DEVELOPMENT								
Economic development	24 546 040	5 641 083	-	30 087 123	1 601 596	1 418 555	-	3 020 151
Town Planning	78 153 136	262 566 497	-	340 719 633	3 346 115	4 406 535	-	7 752 650
Licensing & Regulation	281 887	10 469 706	-	10 751 593	311 289	36 395	-	347 683
								10 423 912
ROAD TRANSPORT								
Roads	1320 258 579	362 001 686	(17 298 803)	1 664 961 462	140 364 833	64 083 899	(4 316 560)	200 132 162
								1 464 829 299
	1320 182 044	351 962 601	(17 298 803)	1 684 855 842	140 327 457	64 075 856	(4 316 560)	200 086 753
	69 535	39 084	-	105 619	37 376	8 034	-	45 410
								60 210
	12 405 207	4 955 972	-	17 361 179	468 823	7 796 690	-	8 265 513
								9 093 667
ENVIRONMENTAL PROTECTION								
Pollution Control	17 569	13 091	-	30 660	12 754	4 434	-	17 188
Game Reserve	12 387 618	4 942 881	-	17 330 499	456 089	7 794 256	-	8 250 325
ELECTRICITY								
Electricity distribution	688 221 705	109 724 515	-	807 946 220	60 944 712	22 531 911	-	83 476 623
								724 469 597
WATER								
Electricity distribution	688 221 705	109 724 515	-	807 946 220	60 944 712	22 531 911	-	83 476 623
								724 469 597
Water distribution	528 831 657	92 604 005	-	621 435 662	34 386 806	9 048 116	-	43 434 922
								578 090 740
Water storage	401 125 882	72 568 781	-	473 694 663	22 698 665	4 937 261	-	27 635 926
								446 080 436
Waste water	127 805 775	20 016 224	-	147 821 999	11 699 840	4 110 655	-	15 810 495
								132 010 304
WASTE WATER MANAGEMENT								
Sewerage	414 703 487	137 658 793	-	552 362 280	54 145 447	16 763 586	-	70 899 033
								481 363 247
Storm water	408 562 992	137 109 866	-	545 672 858	53 696 520	16 501 855	-	70 198 376
Public toilets	6 113 107	448 095	-	6 561 202	448 095	251 453	-	699 548
								5 851 654
WASTE MANAGEMENT								
Solid waste	34 421 540	(9 135 595)	-	25 285 945	8 449 268	(625 512)	-	7 823 756
								17 458 189
Other	-	-	-	-	8 449 268	(625 512)	-	7 823 756
								17 458 189
TOTAL								
	5 192 696 656	1 287 992 347	(17 298 803)	6 463 390 200	484 305 031	229 796 795	(4 316 560)	709 785 270
								5 753 604 930

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)		2012 Actual Income	2012 Actual Expenditure	2012 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	171,531,635	(171,531,635)	Executive & Council	-	161,524,349	(161,524,349)
	105,357,303	(105,357,303)	Council general expenses		105,002,907	(105,002,907)
	2,039,218	(2,039,218)	Municipal Manager		2,566,557	(2,566,557)
	56,282,160	(56,282,160)	2010		44,854,420	(44,854,420)
	7,852,954	(7,852,954)	Secretariat & Records		9,110,465	(9,110,465)
740,826,403	192,395,482	548,430,920	Finance & Admin	899,804,354	248,105,151	651,699,202
			Finance			
489,991,585		489,991,585	Intergovernmental transfers	617,644,837		617,644,837
	3,087,441	(3,087,441)	Mankweng/Sebayeng		2,675,745	(2,675,745)
30,558,540	50,245,847	(19,687,307)	Financial services	49,727,720	72,177,293	(22,449,573)
211,929,612	2,842,010	209,087,602	Assessment rates	229,422,699	1,954,633	227,468,066
			Human Resources			
	1,242,573	(1,242,573)	O & W		1,183,249	(1,183,249)
	13,714,909	(13,714,909)	Personnel		23,613,814	(23,613,814)
1,196,154	7,428,812	(6,232,657)	Training	2,091,788	8,501,233	(6,409,446)
	3,073,866	(3,073,866)	Labour relations		3,978,837	(3,978,837)
22,863	883,460	(860,597)	Occupational Health	44,686	982,679	(937,993)
67	16,509,057	(16,508,990)	IT		17,897,052	(17,897,052)
			Property Services			
	8,776,528	(8,776,528)	Administration		10,377,906	(10,377,906)
	7,760,473	(7,760,473)	Civic Centre		9,032,760	(9,032,760)
			Other Admin			
	9,863,175	(9,863,175)	Corn & public participation		17,407,299	(17,407,299)
	636,194	(636,194)	Security & risk management		2,450,912	(2,450,912)
	5,179,328	(5,179,328)	Project Management		4,881,424	(4,881,424)
	1,209,212	(1,209,212)	Internal audit		3,500,736	(3,500,736)
	1,214,868	(1,214,868)	Technical depot		3,231,051	(3,231,051)
	8,698,272	(8,698,272)	Transport workshop		7,028,290	(7,028,290)
	36,433,055	(36,433,055)	Community security		40,803,131	(40,803,131)
	5,525,687	(5,525,687)	Legal Services		7,136,982	(7,136,982)
7,127,582	8,070,716	(943,134)	Procurement	872,623	9,290,124	(8,417,501)
27,053,135	26,062,540	990,595	Planning & Development	10,550,477	31,860,670	(21,310,193)
23,497,868	4,003,506	19,494,362	Land use management	7,074,336	3,651,803	3,422,533
180,398	7,159,763	(6,979,365)	Spatial Planning	248,319	9,318,999	(9,070,680)
3,374,870	4,608,462	(1,233,593)	Building inspections	3,227,821	4,866,336	(1,638,514)
	1,547,350	(1,547,350)	Local economic development		2,349,329	(2,349,329)
	1,721,493	(1,721,493)	Community development		2,513,858	(2,513,858)
	947,326	(947,326)	Investment promotion		682,523	(682,523)
	2,609,264	(2,609,264)	Economic planning		4,002,914	(4,002,914)
	3,465,376	(3,465,376)	IDP		4,474,909	(4,474,909)
			Health		5,369,832	(5,369,832)
	4,094,001	(4,094,001)	Clinics		2,629,321	(2,629,321)
	1,867,743	(1,867,743)	Health inspection		2,740,511	(2,740,511)
3,326,580	39,384,526	(36,057,946)	Community Services	3,262,753	53,238,890	(49,976,137)
324,785	13,830,223	(13,505,438)	Libraries	322,954	14,551,793	(14,228,839)
			Museums			
	777,648	(777,648)	Art Museum		1,511,542	(1,511,542)
110,988	9,889,369	(9,778,381)	Museum	104,070	8,890,817	(8,786,747)
272,839	1,953,370	(1,680,530)	Community centres	304,270	1,855,534	(1,551,265)
634,997	4,755,832	(4,120,835)	Cemeteries	600,462	5,354,797	(4,754,345)
			Other Community			
1,841,015	5,775,398	(3,934,383)	Game Reserve	1,789,994	16,829,438	(15,039,444)
141,956	1,302,616	(1,160,659)	Showgrounds	141,013	1,224,008	(1,082,995)
	1,100,071	(1,100,071)	Cultural desk		3,018,960	(3,018,960)
62,815	5,067,347	(5,004,531)	Housing	29,743	6,947,382	(6,917,639)
	5,064,776	(5,064,776)	Administration		6,945,209	(6,945,209)
58,783	2,136	56,647	Assisted schemes	26,322	1,836	24,486
4,032	434	3,597	Letting schemes	3,421	338	3,083
18,964,697	69,919,407	(50,954,710)	Public Safety	19,410,436	74,769,052	(55,358,616)
5,215,764	31,703,351	(26,487,588)	Traffic	4,999,901	35,446,193	(30,446,292)
244,705	22,567,489	(22,322,784)	Fire fighting	157,886	24,443,895	(24,286,009)
	2,784,196	(2,784,196)	Disaster management		4,041,136	(4,041,136)
13,492,424	5,078,918	8,413,506	Licensing	14,241,824	5,518,557	8,723,267
11,805	7,785,453	(7,773,648)	Municipal control centre	10,824	5,319,271	(5,308,447)
1,029,916	114,111,031	(113,081,114)	Parks & Recreation	1,662,959	135,607,918	(133,944,959)
	1,599,249	(1,584,233)	Nursery	6,273	2,359,992	(2,353,719)
133,707	30,099,278	(29,965,572)	Parks	111,163	32,682,519	(32,571,357)
514,686	78,723,460	(78,208,773)	Sport & recreation	1,287,552	96,381,895	(95,094,343)
365,506	3,689,043	(3,323,537)	Swimming pools	257,972	4,183,512	(3,925,540)
	510,173	(510,173)	Environmental Protection		555,074	(555,074)
	510,173	(510,173)	Air pollution		555,074	(555,074)
44,289,584	53,236,738	(8,947,154)	Waste Management	47,830,203	70,247,463	(22,417,260)
44,289,584	45,900,348	(1,610,764)	Refuse Removal	47,830,203	58,477,923	(10,647,720)
	7,336,390	(7,336,390)	Street & side walking cleaning		11,769,540	(11,769,540)
41,038,421	41,464,264	(425,844)	Waste water management	39,311,057	51,431,343	(12,120,287)
3,508,172	26,790,152	(23,281,979)	Sewer purification	70,574	30,027,289	(29,956,714)
37,530,248	7,325,036	30,205,212	Sewer reticulation	39,240,482	11,862,726	27,377,757
	4,806,384	(4,806,384)	Storm water		6,658,470	(6,658,470)
	2,542,693	(2,542,693)	Public toilets		2,882,859	(2,882,859)
8,061,177	77,610,946	(69,549,768)	Road Transport	7,609,326	95,913,159	(88,303,833)
	74,023,560	(74,023,560)	Roads & streets		94,132,317	(94,132,317)
8,061,177	3,587,386	4,473,792	Vehicle licensing & testing	7,609,326	1,780,842	5,828,484
129,057,548	180,662,280	(51,604,732)	Water distribution	165,503,351	197,887,790	(32,384,439)
129,057,548	47,952,369	81,105,159	Water Distribution	165,503,351	52,790,799	112,712,552
	119,527,165	(119,527,165)	Water provision		129,946,738	(129,946,738)
	13,182,726	(13,182,726)	Water Purification		15,150,253	(15,150,253)
441,151,677	397,928,582	43,223,095	Electricity	559,546,874	487,047,300	72,499,574

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APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)		2012 Actual Income	2012 Actual Expenditure	2012 Actual Surplus/ (Deficit)
R	R	R		R	R	R
441,151,677	7,883,995	(7,883,995)	Workshop	559,455,107	482,244,633	77,210,474
	379,278,406	61,873,271	Distribution	91,767	4,802,667	(4,710,899)
	10,766,181	(10,766,181)	Street Lighting	24,000	67,211	(43,211)
24,000	223,219	(199,219)	Other	24,000	67,211	(43,211)
24,000	223,219	(199,219)	Airport			
1,454,885,953	1,374,202,171	80,683,783	Total	1,754,545,532	1,620,570,584	133,974,948

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APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	229 422 699	228 355 000	1 067 699	0.47	More collected than anticipated
Service charges	781 281 433	737 021 935	44 259 498	6.01	More collected than anticipated
Rental of facilities and equipment	5 509 961	4 215 760	1 294 201	30.70	More collected than anticipated
Interest earned – external investments	24 554 093	8 000 000	16 554 093	206.93	More collected than anticipated
Interest earned – outstanding debtors	17 678 491	20 067 000	(2 388 509)	(11.90)	Under collected
Fines	4 496 562	5 135 700	(639 138)	(12.45)	Under collected
Licensing & permits	8 234 418	8 646 500	(412 082)	(4.77)	Under collected
Revenue for agency services	13 827 380	13 000 000	827 380	6.36	More collected than anticipated
Government grants & subsidies – operating	367 484 803	377 263 000	(9 778 197)	(2.59)	All grants were not spent in full
Government grants & subsidies – capital	213 510 998	446 314 000	(232 803 002)	(52.16)	All grants were not spent in full
Public contributions, donated and contributed	36 649 036	40 000 000	(3 350 964)	(8.38)	All grants were not spent in full
Other revenue	51 895 658	54 050 106	(2 154 447)	(3.99)	Under collected
Total Revenue	1 754 545 532	1 942 069 000	(187 523 468)	(9.66)	
EXPENDITURE					
Employee related costs	382 002 524	398 384 960	(16 382 436)	(4.11)	All vacancies were not filled
Remuneration of councillors	20 614 731	20 434 865	179 866	0.88	On target
Bad debts	35 511 426	15 000 000	20 511 426	136.74	Provision insufficient
Collection costs	817 561	2 000 000	(1 182 439)	(59.12)	Under collection of anticipated revenue
Depreciation	231 254 348	119 455 000	111 799 348	93.59	Under budgeted due to completion of 2010 infrastructure projects including stadium
Repairs & maintenance	96 881 394	111 902 137	(15 020 743)	(13.42)	Under spending of available funds
Finance costs	29 426 803	32 214 100	(2 787 297)	(8.65)	Over budgeted on external loan taken up
Bulk purchases	518 796 538	522 017 000	(3 220 462)	(0.62)	Over budgeted
Grants & subsidies paid	6 121 695	6 282 000	(160 306)	(2.55)	Spending less than anticipated
General expenses	299 143 562	281 291 938	17 851 624	6.35	Due to several actuarial valuations, contributions had to be made to provisions which were not budgeted for.
Total Expenditure	1 620 570 584	1 508 982 000	111 588 584	7.39	
NET SURPLUS/(DEFICIT) FOR THE YEAR	133 974 948	433 087 000	(299 112 052)		

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APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL Executive & Council	-	-	-	-	
BUDGET & TREASURY OFFICE Finance	6,021,649 6,021,649	6,125,028 6,125,028	(103,379) (103,379)	(1.69) (1.69)	Underspending/ contract less than budget amount
CORPORATE SERVICES Information Technology Property Services Other & Admin	22,393,963 13,468,589 2,436,996 6,488,378	27,104,518 14,484,811 4,003,832 8,615,875	(4,710,555) (1,016,222) (1,566,836) (2,127,497)	(17.38) (7.02) (39.13) (24.69)	Under spending/ contract less than budget amount Under spending/ contract less than budget amount Under spending/ contract less than budget amount Under spending/ contract less than budget amount
PLANNING & DEVELOPMENT Planning & Development	21,515,802 21,515,802	84,877,482 84,877,482	(63,361,680) (63,361,680)	(74.65) (74.65)	Under spending/ contract less than budget amount
ROAD TRANSPORT Roads & Storm water	114,099,068 114,099,068	172,856,984 172,856,984	(58,757,916) (58,757,916)	(33.99) (33.99)	Under spending/ contract less than budget amount
COMMUNITY & SOCIAL Community Halls & Facilities Cemeteries & Crematoriums	726,483 82,135 644,348	3,881,984 3,000,000 881,984	(3,155,501) (2,917,865) (237,636)	(81.29) (97.26) (26.94)	Under spending/ contract less than budget amount Under spending/ contract less than budget amount Under spending/ contract less than budget amount
PUBLIC SAFETY Police Fire	- - -	2,150,000 1,000,000 1,150,000	(2,150,000) (1,000,000) (1,150,000)	(100.00) (100.00) (100.00)	Under spending/ contract less than budget amount Under spending/ contract less than budget amount Under spending/ contract less than budget amount
SPORT & RECREATION Sport & Recreation	4,369,114 4,369,114	8,904,177 8,904,177	(4,535,063) (4,535,063)	(50.93) (50.93)	Under spending/ contract less than budget amount
WASTE WATER MANAGEMENT Sewerage	19,168,812 19,168,812	43,978,745 43,978,745	(24,809,933) (24,809,933)	(56.41) (56.41)	Under spending/ contract less than budget amount
WASTE MANAGEMENT Solid Waste	346,065 346,065	895,000 895,000	(548,935) (548,935)	(61.33) (61.33)	Under spending/ contract less than budget amount
HOUSING Housing	29,218 29,218	30,000 30,000	(782) (782)	(2.61) (2.61)	Under spending/ contract less than budget amount
WATER Water Distribution	107,181,487 107,181,487	205,694,281 205,694,281	(98,512,794) (98,512,794)	(47.89) (47.89)	Under spending/ contract less than budget amount
ELECTRICITY Electricity Distribution	58,651,744 58,651,744	84,067,801 84,067,801	(25,416,057) (25,416,057)	(30.23) (30.23)	Under spending/ contract less than budget amount
TOTAL	354,503,405	640,566,000	(286,062,596)	(44.66)	

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APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Quarterly receipts					Total	Quarterly Expenditure for the Year												Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance			
	Sep	Dec	March	June	Total		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec			Total	Delay / withheld	Gazette amount Municipal year
Equitable Share	146 127 000	116 902 000	87 676 000	87 676 000	350 705 000	87 676 250	87 676 250	87 676 250	87 676 250	350 705 000	87 676 250	87 676 250	87 676 250	87 676 250	87 676 250	87 676 250	87 676 250	350 705 000	No	Total	350 705 000	Yes	Not Applicable
Extended public works Programme	10 500 000	34 000 000	2 743 000	2 743 000	43 819 631	272 272	687 826	1 248 481	10 244 000	14 792 776	13 623 194	13 623 194	13 623 194	13 623 194	13 623 194	13 623 194	13 623 194	55 347 000	No	Total	10 244 000	Yes	Not Applicable
Public transport infrastructure and systems grant	7 556 000	4 434 000	10 800 000	10 800 000	8 110 730	3 348 106	4 355 140	3 445 167	16 111 934	16 111 934	4 963 521	4 963 521	4 963 521	4 963 521	4 963 521	4 963 521	4 963 521	22 600 000	No	Total	22 600 000	Yes	Not Applicable
Integrated national electrification programme					9 232 323	18 245	574 418	170 765	188 545	951 973	188 545	188 545	188 545	188 545	188 545	188 545	188 545	12 000 000	No	Total	12 000 000	Yes	Not Applicable
Electricity demand side management grant	120 000 000	5 500 000	62 607 000	10 478 000	153 678 317	17 617 379	34 388 520	28 390 219	78 444 424	180 800 542	180 800 542	180 800 542	180 800 542	180 800 542	180 800 542	180 800 542	180 800 542	182 607 000	No	Total	182 607 000	Yes	Not Applicable
Municipal infrastructure grant	9 200 000	5 500 000	2 300 000	2 300 000	17 000 000	1 306 689	2 020 850	974 578	15 301 165	18 605 252	18 605 252	18 605 252	18 605 252	18 605 252	18 605 252	18 605 252	18 605 252	17 000 000	No	Total	17 000 000	Yes	Not Applicable
Neighbourhood development partnership grant	1 250 000	4 312 000	3 000 000	3 000 000	13 111 000	4 312 000	4 312 000	4 312 000	13 111 000	13 111 000	4 312 000	4 312 000	4 312 000	4 312 000	4 312 000	4 312 000	4 312 000	1 250 000	No	Total	1 250 000	Yes	Not Applicable
Local government financial management grant	4 312 000	4 312 000	4 487 000	4 487 000	13 111 000	4 312 000	4 312 000	4 487 000	13 111 000	13 111 000	4 312 000	4 312 000	4 312 000	4 312 000	4 312 000	4 312 000	4 312 000	6 407 000	No	Total	6 407 000	Yes	Not Applicable
Water services operating grant					8 407 000	790 000	790 000	790 000	201 806 659	201 806 659	790 000	790 000	790 000	790 000	790 000	790 000	790 000	730 000	No	Total	730 000	Yes	Not Applicable
Water services refurbishment grant					8 407 000	790 000	790 000	790 000	201 806 659	201 806 659	790 000	790 000	790 000	790 000	790 000	790 000	790 000	730 000	No	Total	730 000	Yes	Not Applicable
Municipal systems improvement grant	299 745 000	173 077 000	194 938 000	194 938 000	806 657 001	114 682 951	136 057 150	128 021 165	579 566 958	579 566 958	201 806 659	201 806 659	201 806 659	201 806 659	201 806 659	201 806 659	201 806 659	672 251 000	-	Total	672 251 000	Yes	Not Applicable

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ANNEXURE G
POLOKWANE MUNICIPALITY
STATEMENT OF COMPARISONS OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/2012									
	Original Budget	Budget Adjustments (i.e. s28 and s31 of MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
	1	2	3	4	5	6	7	8	9	
Financial Performance										
Property Rates	228,355,000	228,355,000		228,355,000	229,422,699		-1,067,699	15.34	15.55	
Service Charges	737,021,935	737,021,935		737,021,935	781,281,433		-44,259,498	52.23	52.95	
Investment Revenue	8,000,000	8,000,000		8,000,000	24,554,093		-16,554,093	1.64	1.68	
Transfers recognised - operational	397,087,000	417,263,000		417,263,000	580,995,801		-163,732,801	38.84	38.37	
Other own Revenue	105,115,065	105,115,065		105,115,065	138,291,506		-33,176,441	9.25	9.37	
Total Revenue (Excluding capital transfers and contributions)	1,475,579,000	1,495,755,000	-	1,495,755,000	1,754,545,533	-	-258,790,533	117	119	
Employee Costs	398,384,960	398,384,960		398,384,960	392,002,524		16,282,436	25.54	25.89	
Remuneration of Councillors	20,434,865	20,434,865		20,434,865	20,614,731		-179,866	1.38	1.40	
Debt Impairment	15,000,000	15,000,000		15,000,000	35,511,426		-20,511,426	2.37	2.41	
Depreciation and asset Impairment	119,455,000	119,455,000		119,455,000	231,254,348		-111,799,348	15.46	15.67	
Finance Charges	32,214,100	32,214,100		32,214,100	29,426,803		2,787,297	1.97	1.99	
Materials and Bulk purchases	612,099,137	633,919,137		633,913,850	615,677,933		18,235,917	41.16	41.72	
Transfers and Grants	400,000	6,282,000		6,282,000	6,121,695		160,306	0.41	0.41	
Other Expenditure	277,291,938	283,291,938		283,397,225	298,768,929		-15,361,704	19.97	20.25	
Total Expenditure	1,475,260,000	1,508,982,000	-	1,508,982,000	1,619,368,389	-	-110,386,389	108	110	
Loss: Impairment of Assets					1,202,194		-1,202,194			
Surplus/(Deficit)	289,000	-13,227,000	-	-13,227,000	133,974,950	-	-147,201,949	9	9	
Transfer Recognised - capital	289,198,000	446,314,000		446,314,000	216,313,179		230,000,821	14.46	14.66	
Contributions Recognised - capital & contributions assets	289,198,000	446,314,000		446,314,000	216,313,179		230,000,821	14.46	14.66	
Surplus/(Deficit) after capital transfer and contributions	-288,899,000	-459,541,000	-	-459,541,000	-82,338,229	-	-377,202,770	-5	-5	
Share of Surplus/Deficit of associate	-	-	-	-	-	-	-	-	-	
Surplus/Deficit for the year	-288,899,000	-459,541,000	-	-459,541,000	-82,338,229	-	-377,202,770			
Capital expenditure and funds resources										
Capital Expenditure					-					
Transfers recognised - Capital	289,198,000	446,314,000		446,314,000	216,313,179		230,000,821	33.77	55.68	
Public Contributions and Donations										
Borrowing										
Internally generated funds	100,000,000	184,252,000		184,252,000	138,190,225		56,061,775	21.57	35.51	
Total sources of capital	389,198,000	640,566,000	-	640,566,000	354,503,404	-	286,062,596	55	91	
Cash Flows										
Cash/cash equivalents at the beginning of the year	35,214,000	5,241,000		5,241,000	5,241,310					
Net Cash from (Used) operating	423,952,000	567,542,000		567,542,000	355,908,070					
Net Cash from (Used) Investing	(19,188,000)	67,811,000		67,811,000	53,843,206					
Net Cash from Used Financing	(389,198,000)	-640,566,000		-640,566,000	(403,719,056)					
Cash/cash equivalents at the year end	50,780,000	28,000		28,000	11,273,590					

per

Reconciliation of Budget surplus/deficit with the surplus/deficit in the statement of financial performance

Note

Net surplus/deficit per the statement of Financial performance

133,974,948

Adjusted for:

Revenue variances
Fair value adjustments income
Surplus on the sale of assets
Add: Revenue variances

258,790,533
0
0
258,790,533

1

Adjustment for:

Expenditure variances
Impairments recognised
Loss on sale of asset
Less: Expenditure variances
Debt Impairment - Actual
Debt Impairment - Budget

111,588,583
1,202,194
0
110,386,389

2

Net surplus/deficit per approved budget

-147,201,949

Note 1

Revenue

Property rates
Property rates - Penalties and collection charges
Service Charges
Rental Received
Interest Earned - External Investments
Interest Earned - Outstanding debtors
Government Grants and Subsidies
Other Income
Total Revenue

Actual	Budget	Variance
228,422,699	228,355,000	1,067,699
781,281,433	737,021,935	44,259,498
-	-	-
24,554,093	8,000,000	16,554,093
-	-	-
560,995,801	417,283,000	163,732,801
138,291,508	105,115,065	33,176,441
1,754,545,533	1,495,755,000	258,790,533

Note 2

Expenditure

Employee Costs
Remuneration of Councillors
Debt Impairment
Depreciation and asset impairment
Finance Charges
Materials and Bulk purchases
Transfers and Grants
Other Expenditure
Total Expenditure

382,002,524	388,284,860	-16,282,436
20,614,731	20,434,865	179,866
35,511,428	15,000,000	20,511,428
231,254,348	119,455,000	111,799,348
29,426,803	32,214,100	-2,787,297
615,877,833	633,913,850	-18,235,917
6,121,695	6,282,000	-160,306
298,758,929	283,397,225	15,361,704
1,619,368,389	1,508,982,000	110,386,389

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ANNEXURE H
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2012

Date	Type of case	Summary of case	Name of parties	Authority that dealt with the case e.g. High Court	Amount Involved	Outcome	Total cost to the Municipality	Law firm used	Date finalized
02/03/2011	Civil	Incorrect meter reading / claim for deposit	Angelos Mathews Skordi v Polokwane	Pik Mag Court	R 98,000	Notice to defend	R 103,577.62	A.M Carrim Attorneys	Not yet finalised
16/03/2011	Civil	Motor vehicle collision	Petrus Steenkamp v Polokwane	Pik Mag Court	R 19,221.62	settled	R 18,676.05	A.M Carrim Att	3-Apr-12
18/04/2011	Labour	Non-payment of performance bonus	Ndanduleni Vivian Makhari v Polokwane	Labour Court	R 156,906.37	Awaits pre-trial conference		Mogaswa Att	In progress
22/03/2012	Civil	Damages	Nwamafela v Mahlatjle & Polokwane	Pik Mag Court	R 100,000	Notice to defend		Jeff Mathabatha Att	In progress
22/02/2012	Civil	Damages	Dr. O R Tshikosi v Polokwane & Others	Pik Mag Court	R 300,000.00	Application to defend	R 2,679.00	De Bruin Oberholzer Att	In progress
21/02/2012	Civil	Damages (Pothole)	K.J Ngoasheng v Polokwane	Pik Mag Court	R 8,981.83	Still await letter from plaintiff's Attorney		De Bruin Oberholzer Att	In progress
17/02/2010	Civil	Damages	Blue Camellion Investment v Polokwane	North Gauteng High Court	R 1,408,879.80	Notice of withdrawal		Jeff Mathabatha Att.	Withdrawn 12 Jan 2012
04/04/2011	Civil	Non-payment for services rendered	E.C Deacon t/a P&L Services v Polokwane	Pik Mag Court	R 41,316.56	Plea filed		Mohale Inc. Att.	Not yet finalised
04/04/2011	Civil	Non-payment for services rendered	E.C Deacon t/a K T Services	Pik Mag Court	R 82,526.59	Plea filed		Mohale Inc. Att.	Not yet finalised
25/05/2011	Civil	Rejection of Site Development Plan	Amazin Hotels v Polokwane	North Gauteng High Court	R 2,500,000	Applicant proposed to settle out of court		Mogaswa Att	Attorney of record proposed the applicant must withdraw & be liable for the costs
21/02/2011	Civil	Damages (pain & suffering)	J H Snelling v Polokwane	Pik Mag Court	R 244,331.09	The court dismissed the application to settle, the application must be liable to the costs		Mohale Inc Att.	Finalised 16 April 2012
22/02/2012	Civil	Non-payment of Municipal services	W.M Matthews N.o v Polokwane	Pik Mag Court	R 45,079.35	Plea filed		Mogaswa Att	In progress
10/08/2010	Civil	Non-award of tender	Oscor Electrical contractors v Polokwane	North Gauteng High Court	R 1,000,000	Set down for hearing on 19/10/12		Jeff Mathabatha Att.	In progress

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ANNEXURE H
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2012

15/07/2010	Civil	Motor vehicle collision	E Phoko v Polokwane	Pik Mag court	R 45,359.51	Set for hearing on 20 Sept 2012	Jeff Mathabatha Att.	In progress
22/09/2011	Civil	Damages (pain & suffering)	A D Friedendal v Polokwane	Pik Mag Court	R 113,289.42	Appearance to defend entered	Jeff Mathabatha Inc	In progress
22/02/2012	Civil	Breach of contract	Born to Protect v Polokwane	Northern Gauteng High Court	R 414,321.60	Served & filed plea	Mogaswa Att	In progress
22/05/2012	Civil	Disclosure of information	Baagishane Projects	Matter still being negotiated			Mogaswa Att	
03/05/2010	Civil	Compliance with legislation	Blue Sands Trading 471 v Polokwane	Northern Gauteng High Court	Order in terms of Rule 35(3) granted		Coetzer & Partners Att	In progress
10/04/2011	Civil	Non-payment for services rendered	Aphane Consulting cc & Another v Polokwane	High Court	R 2,458,492.25	Application dismissed	Mohale Inc	
26/07/2011	Labour	Legal advice	Polokwane v H.R.A Lubbe	n/a	N/A	Legal advice provided	Mogaswa Att.	Finalised
11/04/2007	Civil	Crimen Injuria	E D Gudini v Polokwane & others	Pik Mag Court	R 100,000.00	Matter tried	Kgatta Inc	Finalised
04/12/2007	Civil	Debt collection	Polokwane v Johan Mohoto Attorneys	Pik Mag Court	R 121,899.25	Finalised	Kgatta Inc.	Finalised
19/12/2008	Civil	Breach of contract	Illiad Africa (Pty) Ltd t/a Builders Market v Polokwane	Pik Mag Court	R 100,000.00	Finalised	Davel De Klerk Kgatta Inc.	Finalised
21/04/2008	Civil	Debt collection	Polokwane v Ipopeng Trading co-operative	Pik Mag Court	R 20,726.38	Finalised	Davel De Klerk Kgatta Inc.	finalised
04/06/2007	Civil	Non-payment for services rendered	L E Fourie/ Chobe Plant hire & crushers v Polokwane & 2 others	Northern Gauteng High court	R 135,962.99	Awaiting trial	Hugo & Ngwenya Inc.	In progress
08/03/2005	Civil	Damages	M.C Makgaba v Polokwane	Manikweng Mag Court	R 30,890.04	Special plea upheld	Kgatta Inc.	Finalised
21/08/2007	Civil	Services rendered	Mohlaba & Moshona Inc v Polokwane	Jhb Mag Court	R 11,995.90	Settlement proposed	Internal intervention	In progress
10/04/2008	Civil	Breach of contract	Mokwawa Mithali & Associates v Polokwane	Pik Mag Court	R 80,706.65	Action withdrawn	Kgatta Inc	Finalised
11/04/2007	Civil		Mopani Medical Aid					
23/10/2008	Civil	Non-payment for services rendered	Lerajane Constructions v Polokwane	Demand	R 288,941.27	Action abandoned	Internal intervention	Action abandoned
03/12/2007	Civil	Debt collection	Polokwane v Tlilimda 1040 Beleggings	Northern Gauteng High Court	R 305,748.70	Finalised	Davel De Klerk Kgatta Inc	In progress

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ANNEXURE H
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2012

04/04/2005	Civil	Tender dispute	Oscor Domestic Installation v Polokwane	Northern Gauteng High court	R 509,644.46	Appeal	R 58,200.00	K P Seabi & Associates	Still in progress
16/03/2011	Civil	Motor Vehicle Collision	J N Moleka v Polokwane & P Phoko	Pik Mag Court	R 86,000.00	Rescission application filed		Jeff Mathabatha Att.	In progress
02/11/2005	Civil	Interdict	Uniting Reformed Church Of S A v Polokwane	North Gauteng High Court	Declaratory order	Interdict granted	Unopposed		11/05/2011
06/10/2010	Labour	Outstanding arbitral	SAMWU obo J P Boshomane						
14/12/2012	Civil	Re allocation of star	Makofane Diana Moleseng v Polokwane						In progress
13/10/2010	Civil	Damages	J Thantsha v Polokwane	North Gauteng High Court	R 2,500,000.00	Appearance to defend entered		Jeff Mathabatha Att.	In progress
15/12/2010	Civil	Services rendered	Indigo Kulani Architects (Pty) Ltd v Polokwane	North Gauteng High Court	R 406,850.00	Declaration filed		A M Carrim Att.	In progress
26/08/2010	Civil	Interdict	Polokwane v Nkonzo Pub & Grill	Pik Mag Court		Application filed, interdict granted		Jeff Mathabatha Att.	18/10/2010
30/12/2010	Civil	Grievance	Masstores (Pty) Ltd/ Game v Polokwane & P Pienaar			Investigations finalised			Unknown
26/08/2011	Civil	Damages	M J Makwela v Polokwane	Pik Mag Court	R 6,500.00	Appearance to defend entered		Jeff Mathabatha Att.	In progress
24/04/2012	Civil	Motor vehicle collision	M M Komape v T A Mapinini & Polokwane Municipality	Pik Mag Court	R 33,502.66	Appearance to defend entered		Jeff Mathabatha Att.	In progress
20/02/2012	Civil	Non-payment for se	Dipela Trading v Polokwane	Pik Mag Court	R 81,605.60	Settlement proposed		Jeff Mathabatha Att.	In progress
19/04/2011	Civil	Refund on deposit	MF Sepuru Erf 4568/5 Bendor	n/a	n/a	Letter to attorneys			Unknown
08/02/2012	Civil	Services rendered	KPMG Services (Pty) Ltd v Polokwane	Pik Mag Court	R 35,230.36	Matter settled			24/02/2012
02/09/2011	Civil	Interdict	N M E Kgalla N.O & another v Polokwane	Pik Mag Court	n/a	Unopposed			Unknown
30/05/2012	Civil	Interdict	T S Moloto v E Lediga & Polokwane	Pik Mag Court	R 11,907.40	Appearance to defend entered		A M Carrim Att.	In progress

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ANNEXURE H
POLOKWANE MUNICIPALITY
CONTINGENT LIABILITIES FOR THE YEAR ENDED 30 JUNE 2012

01/2011	Civil	Crimes injuria	Polokwane obo Executive Mayor. F Greaver v Media 24	North Gauteng High Court	R 14,391,000.00	Settlement proposal	Mogaswa Att	In progress
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